

CITY OF HOMER ECONOMIC DEVELOPMENT COMMISSION
491 E. PIONEER AVENUE
HOMER, ALASKA

AUGUST 10, 2010
TUESDAY AT 6 P.M.
COWLES COUNCIL CHAMBERS

**NOTICE OF MEETING
REGULAR AGENDA**

1. CALL TO ORDER/ROLL CALL
2. APPROVAL OF THE AGENDA
3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA
4. RECONSIDERATION
5. APPROVAL OF MINUTES of July 13, 2010 p. 1
6. VISITORS
7. STAFF AND COUNCIL REPORT
8. PUBLIC HEARING
9. PENDING BUSINESS
 - A. Economic Development Compare and Contrast p. 5
 - B. City of Homer Capital Improvement Plan Please bring copy from last meeting
See also p. 9
 - C. Comprehensive Economic Development Strategy (draft) Separate document
See also p. ____
10. NEW BUSINESS
11. INFORMATIONAL MATERIALS (for discussion only)
 - A. Memo to Planning Commission regarding Homer Spit Comprehensive Plan p. 15
 - B. Homer News article: Homer high-tech company p. 21
 - C. Items of possible interest from recent City Council meeting packets p. 23
 - D. Alaska Economic Reports p. 29
12. COMMENTS OF THE AUDIENCE
13. COMMENTS OF THE CITY STAFF
14. COMMENTS OF THE COUNCIL MEMBER
15. COMMENTS OF THE CHAIR
16. COMMENTS OF THE COMMISSION MEMBERS
17. ADJOURNMENT/NEXT MEETING DAY AND TIME

Next regular meeting is scheduled for September 14, 2010 at 6 p.m. in the Homer City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

Session 10-04, a Regular Meeting of the Economic Development Advisory Commission was called to order at 6:05 p.m. by Vice Chair Ravin on July 13, 2010 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: COMMISSIONER DAUPHINAIS, ERICKSON (arrived at 6:08), NEECE, RAVIN, SIMPSON

ABSENT: COMMISSIONER HOPPE, FAULKNER

COUNCILMEMBER: WYTHE

STAFF: SPECIAL PROJECTS COORDINATOR HOLEN
CITY PLANNER ABBOUD
DEPUTY CITY CLERK JACOBSEN

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Commission.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES

A. Meeting Minutes of June 8, 2010

The minutes were approved by consensus of the Commission.

VISITORS

There were no visitors scheduled.

STAFF AND COUNCIL REPORT

Special Projects Coordinator Holen reported that she has been working on the CEDS update and has made quite a lot of progress. She has been running pieces of it by people in town who are more knowledgeable in specific areas like health care and so forth to get further input. She will bring it to the August meeting.

Commissioner Simpson commented that he has been trying to compile information from communities that he is familiar with and hopes to bring information regarding what works in those communities and what doesn't.

Councilmember Wythe had no comment.

PUBLIC HEARING

There were no items for public hearing.

PENDING BUSINESS

A. Homer Spit Comprehensive Plan

The Commission, City Planner Abboud, and Councilmember Wythe discussed conditional use permits in relation to financing for leases on the spit.

- 1.1 Zone-redefine and enforce. Specifically Fish Dock Road to make the zoning where conditional use permit are over and above what is really going on.
- 1.2 City needs to build the pilings and deck and make it ready for leasing. Remove the "develop a program on landscaping on the spit", as the harsh weather conditions and \$ amount aren't necessarily conducive to each other.
- 1.3 Showers on the Spit. Spit Town Square/nonprofit by Pier 1, and summer benches along the biking trail.
- 1.4 Access to the end of the Spit by road is priority over habitat. Use the dredges to increase the spit.

RAVIN/NEECE MOVED TO INCORPORATE 1.1 THROUGH 1.4 TO THE COMP PLAN.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

They talked about section 3 recommendations 1-7 and the importance of improvements at the Deep Water Dock and the area around it not only for cruise ships but also for people that use the space on a regular basis.

Section 3 Deep Water Dock Development:

1. Cruise ship dollars to fix the area
2. Recognize different types of vessels using the dock and what do we need to do to stage that area.
 - a. Fueling
 - b. Maintenance on vessels
 - c. Staging - Parking
3. Bathroom/Guard shack/covered waiting area
4. Capital Improvement Plan
5. Walking boardwalk around the perimeter of the harbor
6. Finish Dock expansion
7. Fix incoming freight issues

Regarding residential uses if it is going to be allowed then a percentage should be defined. It was noted in the past there has been no residential allowed due to inadequate evacuation capability in the event of an earthquake or tsunami. Sleeping quarters are needed for security is something else.

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RAVIN/SIMPSON MOVED TO RECOMMEND INCORPORATING A SPECIFIC ALLOWANCE FOR MAINTENANCE, SECURITY, AND CREW QUARTERS INTO COMMERCIAL AND INDUSTRIAL ZONING ON THE SPIT.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

DAUPHINAIS/RAVIN MOVED THAT WE TAKE SECTION 3, 1-7 FROM THE EDC NOTES AND INCORPORATE AND FORWARD AS RECOMMENDATION TO PLANNING.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

B. City of Homer Capital Improvement Plan

Chair Erickson proposed incorporating 3 new projects regarding the Deep Water Dock:

- A guard house that incorporates restrooms and a covered area so people can get out of the weather.
- Paving the staging area, like it is at the Pioneer Dock.
- East Side of Deep Water Dock Trail Improvements.

She noted that the staging area where the cruise ships come in is unstable as it is not level, and it needs to be marked so people know where to go. Health and safety are important. We are doing okay with what we have, but there could be more than 20 cruise ship visits next year. Point was raised that it is not only necessary for cruise ships but others that come into the area as well. There was discussion of these recommendations being included as one project and Commissioner Faulkner's suggestion of a path be incorporated into the project.

RAVIN/NEECE MOVED TO ADD THE RECOMMENDATION FOR A NEW CIP ELEMENT.

There was no discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT.

Motion carried.

The Commissioner's listed each of their top five CIP recommendations and Special Projects Coordinator Holen said she would coordinate them into a list of recommendations to forward to City Council.

There as discussion that there are some cities, Seward for example, that get a lot of money every year from the State's budget. Homer has projects that would justify more money. It is

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another example of why we need to develop a system or a group that is more proactive like the SEDA program.

NEW BUSINESS

No New Business Items were scheduled.

INFORMATIONAL MATERIALS

A. Items of possible interest from recent City Council meeting packets

COMMENTS OF THE AUDIENCE

COMMENTS OF CITY STAFF

There were no staff comments.

COMMENTS OF THE COUNCIL MEMBER

Councilmember Wythe advised the Commission that the City Council will be taking the Lease Policy up again in August. She believes there are two or three more worksessions to review the document before taking any action.

COMMENTS OF THE CHAIR

Chair Erickson thanked everyone for coming tonight.

COMMENTS OF THE COMMISSION MEMBERS

Commissioner Simpson said he will be absent at the next meeting. If the Commission has any questions about a city with similar demographics on the east coast he will be willing to talk to people in Virginia Beach to see what is and is not working for their city.

Commissioner Neece said he will be working next week and then in Barrow so he may not be available for the next meeting. He said he may be able to call in.

Commissioner Ravin and Dauphinais had no comment.

ADJOURN

There being no more business to come before the Commission the meeting was adjourned at 7:19 p.m. The next regular meeting is scheduled for August 10, 2010 at 6:00 p.m. in the City Hall Cowles Council Chambers.

MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____

I was asked to examine some different areas in respect to how economic development is organized. This started after a review of the Sitka Economic Development Association (SEDA). I have spoken with several economic development organizations: Garrett County, MD; the Greater Susquehanna Valley Chamber of Commerce, PA; SEDA; and Yuma, AZ.

Great Susquehanna Valley Chamber of Commerce

This organization is located in the Lehigh Valley of Pennsylvania approximately 2 hours west of Philadelphia—neither rural or urban. It encompasses a four county area with mixed economic activity including agriculture (beef, bison, emu, general farming, alpaca and llama herding, and hard wood harvesting) and some industry. The area has a population of approximately 160,000 with a significant Mennonite/Amish population. Major colleges include Lehigh, Bucknell, and Bloomsburg State Universities. In the last several months a bid for a community college was voted down and a higher education center was approved.

Economic development is layered in this organization. There is the activity of the Chamber, which is based on working with county and state organizations—each with their own governing body. The plans of each level work together and the counties serve as a vetting group regarding grant applications, funding requests, and other processes. The Chamber director with whom I spoke (we are colleagues from a previous professional stop) was happy with the arrangement as it takes some pressure off him. Everyone understands and observes processes and there is respect for the various areas of responsibility.

Funding comes from a variety of sources including county and local appropriations. The Chamber does a good deal of marketing of the area in concert with others.

This organization has a small staff. It does conduct some legislative lobbying, but works in concert with other regional organizations on this.

SEDA

When I spoke with SEDA they noted that there was a conversation between Homer and SEDA last winter. SEDA came to be after the pulp mill closed in 1997 and the community sustained a loss of 400+ jobs. Those jobs have not returned. In 2000 the city was gifted with the pulp mill site and the city already owned a waterfront development facility/industrial park. The city funds the industrial park.

SEDA is a private 501c3 organization and receives funding from the state, the City of Sitka, and the Borough as well (city and borough are line items); it also generates some of its own revenue. Seed money came from a program championed by then Senator Stevens in DC.

SEDA is governed by an independent board with representation from the city. The Board is elected by SEDA members, much like the Homer Chamber Board. SEDA and the Chamber are separate entities but work closely together. The Chamber works more with tourism while SEDA markets the sites to the outside in an effort to attract more investment/business. In essence SEDA is the marketing arm of Economic Development for the City and, to a large extent, the Borough. The strategic plan of SEDA is a subset of the city's comprehensive plan.

In some respects SEDA is like the Susquehanna Valley as it has to work with other entities and is funded by other sources. In other ways it is quite different. I did not get the sense of it being a layered situation like that in Pennsylvania—but more of a several entities on the same level working together situation.

SEDA has a small staff. It appears to do some lobbying, but works closely with its funding sources.

Garrett County

Garrett County is the western most county in Maryland. In a sea of democrats, Garrett County is an island of republicans. The people of the county identify more with West Virginia and western Pennsylvania than with the rest of Maryland. Garrett has a population of about 30,000, is a three season tourist destination (summer, winter, and fall) with a large lake and a ski hill. It is reachable within 3 hours from Baltimore, DC, Pittsburgh, and Richmond (VA). The county has one small city, Oakland population about 5,000, and several very small towns, a community college; and the county fairgrounds.

The economy is heavily dependant on the tourist industry, but has some manufacturing activity. Manufacturing is mining oriented with drilling, rescue, and survival equipment—mining survival equipment is a national leadership area. Agriculture is also a leading economic activity—corn and beef. Because of its location next to a major interstate highway it is also a transshipment point.

Economic Development is under the aegis of the county government. It is a line in their budget and is funded solely by the county. The director (a colleague of mine) reports to the Board of County Commissioners and works out of the county administration building.

Organizationally, while Economic Development comes under the county, there is a layered approach here as in Susquehanna. A regional entity, the Tri-County Council, acts as a vetting instrument for grants and state funding opportunities. This council also has close ties with the Appalachian Regional Commission (ARC) another grant funding source. Funding priorities are set by Tri-County and economic development works within those priorities. Each area essentially takes a turn, or enables others to jump in line if the project is meritorious enough.

Economic Development and the Chamber are two separate entities. Both are funded via a bed tax. By statute that money must go toward tourism and/or economic development.

The county has a 5% bed tax that annually takes in \$1.4 million. The Chamber receives about \$600-750K with the remainder going to economic development. While there is separation between these two organizations, economic development does support tourism by helping with capital projects. In some areas of Maryland economic development is operated under a private 501c organization.

The biggest impediments here are state regulations—roads, DNR, and other regulatory agencies. Garrett County is well away from the more populated parts of Maryland and the state sometimes fails to recognize that the western part of the state is very different from the east.

The economic development agency has a staff of 5 while the chamber has a staff of 6. The Chamber does the legislative lobbying so the economic development doesn't get crossways with funding authorities.

Yuma, Arizona

Greater Yuma EDC is a 501 C6 funded by Five Public and 130 Private Sector Businesses. It is a regional organization therefore each Community within the County as well as the County, fund their efforts. This EDC has individual contracts for service with each public entity. Their revenues are recorded individually. Their Private Sector Investors realize their ROI indirectly; when their economy grows they benefit from these successes. In addition to the Private Sector Investors they submit several grant applications a year and have had a good record of success. These are usually special projects that were not a budgeted item. The Chamber receives no money from public sources.

They are separate from our Chamber and the Public entities as outlined above. Their corporation status gives them autonomy from the Public entities. The Chamber of Commerce does not receive any funds from the Public and therefore are able to take a more adversarial position in order to advocate for the local businesses. The EDC partners with the Chamber of Commerce and support each other on many levels. The EDC never support a party or candidate, and only support bills advocating for economic development.

Unlike Garrett County or Susquehanna, PA no vetting mechanism for projects exists, they do overlap with some of their investors also investing in the Chamber but it is not competitive. The Chamber does not solicit grant funding for the same type of projects they go after. The relationship is complimentary and supportive.

The greatest impediment Yuma has to economic development is of available buildings. The banking environment has made new construction very difficult and they have areas in Arizona that have an abundance of buildings so we are losing projects. The greatest asset to Economic Development in Yuma is partnerships and collaborations with each other. They have assembled quite a network of organizations that know how to get things done.

Common Points

In each case the obvious thing stated was that personalities have to be somewhat compatible. SEDA, Susquehanna, and Garrett all noted that the organizational set-up would not work with different personalities, I received the same impression from Yuma. There are clear responsibilities, recognition of boundaries, and respect for functions and processes.

Money comes from multiple revenue streams with local jurisdictions (city and county) as well as the state provide funding to economic development and to the chamber.

No single structure is best—layered in MD and PA, very flat in SEDA, cooperative in AZ.

All have policies already in place—zoning, how to's, etc.

Regulations are a sticking point for most, but most prominently by Garrett County—maybe because they are the most different from the rest of their respective state.

No one is trying to hit a home run—i.e. bring in a large new company. Most are trying to help existing businesses grow locally. Garrett did get a Wal-Mart (300 jobs) and a Lowes (100 jobs) to locate there, no local business has gone under, and sales tax revenue has increased dramatically as people have come in from the surrounding area to spend money in these stores. Each building is approximately 80-100,000 square feet. Garrett has land as its best resource and is trying to use it appropriately for them. Yuma appears to be looking for complimentary industries to those already there. Susquehanna is looking for ways to play upon its strengths.

Comments

It appears that each area has found a structure to works within their environment. That might be a good starting point for the EDC to consider—what is the environmental context? Whether that is the structure of the funding sources, the responsibilities of the given groups, the policies required to be effective, or how to deal with the myriad of regulations—state, local, borough, etc—there needs to be a starting point if Homer is to move toward having an effective economic development body regardless of where it is organizationally housed.

CIP LEGISLATIVE PRIORITIES RANKING WORKSHEET from July 13, 2010 – EDC

	#1	#2	#3	#4	#5
RAVIN	Skyline Fire Station	Alternative Water Source	Aerial Fire Truck	Deep Water Dock Uplands Improvements	
NEECE	Fire Engine 4 Refurbishment	Sewer Treatment Plant Biosolids Treatment Improvements	Alternative Water Source	Deep Water Dock Uplands Improvements	Sterling Highway Realignment Mile 150-157
ERICKSON	Deep Water Dock Uplands Improvements	Sterling Highway Realignment Mile 150-157	Main Street Intersection (traffic signal)	Sewer Treatment Plant Biosolids Treatment Improvements	Bridge Creek Watershed Land Acquisition
SIMPSON	Water Storage/ Distribution Improvements	Fire Engine 4 Refurbishment	Sewer Treatment Plant Biosolids Treatment Improvements	Alternative Water Source	Deep Water Dock Expansion
DAUPHINAIS	Alternative Water Source	Sewer Treatment Plant Biosolids Treatment Improvements	Deep Water Dock Expansion	Main Street Reconstruction /Intersection	Aerial Fire Truck

#1 ranked projects are given 5 points, #2 = 4, #3 = 3, #4 = 2, and #5 = 1 point.

Using this system, the following ranking was found: Alternative Water Source (14), STP Bio-solids Treatment Improvements (13), Engine 4 Refurbishment and Deep Water Dock Uplands (9 each), Skyline Fire Station, Main Street, and Sterling Highway fix (5 each), Deep Water Dock Expansion and Aerial Fire Truck (4 each), Bridge Creek Watershed Land (1).



City of Homer Capital Improvement Plan • 2011 – 2016

DEEP WATER DOCK UPLAND IMPROVEMENTS

PROJECT DESCRIPTION & BENEFIT: Homer's Deep Water Dock is utilized by a wide array of large vessels, including those related to freight hauling, government operations, and tourism (cruise ships). Currently, onshore amenities in the vicinity of the Deep Water Dock are lacking, contributing to inconvenience, discomfort, and even safety hazards for passengers and crew embarking and disembarking from the vessels. This project will address these needs by providing the following improvements:

- Construct a guard house for security personnel that includes a public restroom.
- Construct an area that provides rain cover for those waiting to board a ship or waiting for ground transportation.
- Level and pave the staging area to control dust and reduce the risk of falling. Mark the pavement to facilitate traffic movement and parking.
- Establish an ADA-compliant trail along the east side of the existing harbor and Outer Dock Road (4000 lf). Include signage and park benches.

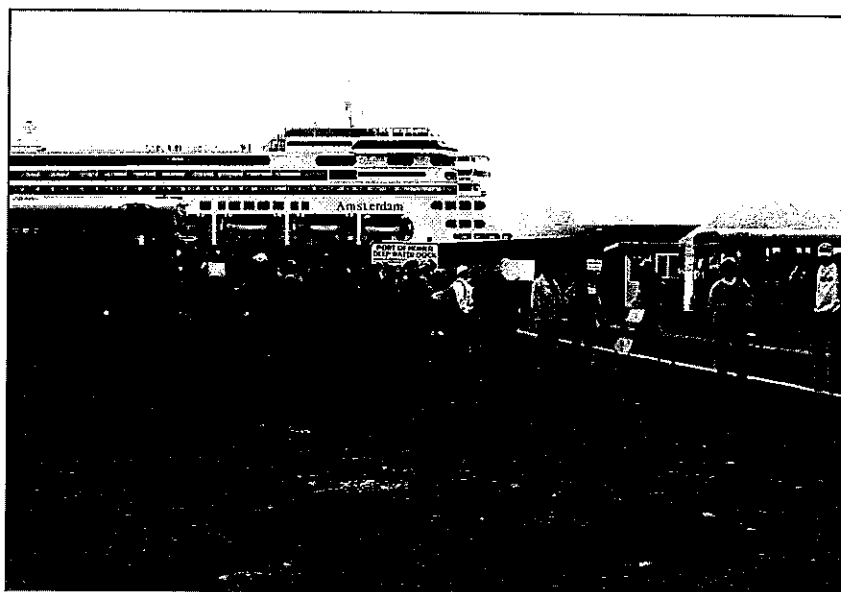
This project will also benefit local residents who utilize the east harbor area for work or recreation.

Cost: \$800,000

(\$325,000 - guard house with restroom, \$35,000 - covered waiting area, \$45,000 - pave staging area, \$195,000 - trail, plus \$66,000 for engineering/design, \$30,000 for construction inspection, and \$104,000 contingency)

Schedule: ??

Priority Level: ??



A rough unmarked parking lot, lack of weather protection, and general disheveled appearance at the Deep Water Dock uplands do not provide the best first impression of Homer.

Anne Marie Holen

From: Anne Marie Holen
Sent: Friday, July 23, 2010 8:34 AM
To: 'Michele Miller' (*Pratt Museum*)
Cc: Walt Wrede
Subject: City of Homer legislative priorities - capital projects

Hi Michele,

I talked to Walt about the issue of whether the City Council will or will not consider non-City projects for inclusion on its legislative priorities list. As you know, Council members had indicated in 2008 that they would no longer do this – but then they made an exception in 2009 for the hockey rink (Homer Hockey Association project).

All I can tell you is that “City projects only” remains the Council’s unwritten policy (as expressed by Beth Wythe to the EDC earlier this month), but there could be further exceptions.

Best wishes,
Anne Marie

Anne Marie Holen
907-435-3101

FY1- Tourism recommendations in Economic Vitality chapter of Comp Plan - relevant to CEDS

GOAL 7: Support regional renewable and non-renewable energy exploration and production.

Homer citizens support researching and pursuing renewable energy projects. Outside of the city, oil and gas exploration continues as the traditional sources of natural gas in Cook Inlet begin to decline, leaving the Anchorage market with a projected shortfall. Supporting the exploration, extraction and renewable energy industries does not necessarily have to compromise Homer's scenery or quality of life. There are many opportunities to benefit from the construction, research, and extraction activities, whether through direct employment, or by providing services such as worker housing, catering, fuel, payroll and transportation to local and non local contractors who work on site.

Implementation Strategies

1. Support staging areas for large development projects.
2. Encourage bioremediation, reclamation, decontamination, pollution control solutions at the local level.
3. Encourage recycling and resource reutilization in addition to the use of raw material.
4. Support efforts to supply local energy needs with natural gas.
5. Encourage utilities to provide lower cost electrical power to residential and industrial users (research new COOP for energy resource).
6. Promote renewable energy development locally and regionally.
7. Encourage business activities that provide support services to the energy, mining, oil and gas industries.

GOAL 8: Strengthen Homer as a tourism destination.

Homer is already one of Alaska's premier tourist destinations and appears to be enjoying continuing growth in visitation and expenditures. For example, there were more than 500 full-time equivalent jobs in the "accommodations and food services" subsector of the leisure and hospitality industry in 2005.

Future tourism growth depends in large part on overall trends in visitation to Alaska, shifting demographics, fuel prices, and other global trends. However, City actions can have a significant impact on the economic importance of tourism by promoting longer stays, increased expenditures per person, and more repeat visitation. Equally important, City government plays a crucial role in guiding the growth of tourism to maximize its benefits and to minimize the costs imposed on the people of Homer.

Objective A: Invest in local infrastructure, parks, and civic improvements that will serve locals well as visitors by promoting longer stays, increased expenditures per person, and more repeat visitation as a form of economic development.

One economic development strategy is to find ways to encourage visitors to stay in the community longer during their visit, or to visit again in the future. The Farmer's Market in downtown

Anchorage is an example; visitors to the market also visit other downtown businesses. Even staying an hour or two longer in the community may result in visitors eating more meals in local restaurants or spending more money shopping. The City benefits through increased sales tax revenue. To keep Homer an attractive destination requires that the City and private business work in partnership to provide the basic services that visitors and locals expect. These improvements and public expenditures should also benefit local tax payers.

Implementation Strategies

1. Support and fund beautification efforts on Pioneer Avenue.
2. Partner with other community organizations to support local events that draw visitors such as festivals and art events. *See Chapter 7.*
3. Ensure that City facilities are sufficient to support these festivals and activities (e.g., restrooms on the Spit, RV dump stations, trash collection, park maintenance, etc).
4. Develop the Town Center as another draw for visitors in the City.
5. Support Pioneer Avenue/downtown businesses and other year-round businesses. The Spit is a huge draw and will continue to be. Effort should be made in the future to have more tourists visit downtown Homer to support year round businesses. Investment in tourist amenities should be equally focused on the Spit and downtown Homer.

Objective B: Support efforts to improve community attractions, including town center, trails, and access to marine activities and the marine environment. Improve links between attractions.

Homer can be considered to have three main tourism destination areas: The downtown and Old Town area, the Spit, and the area across Kachemak Bay. While each of these areas currently attracts numerous visitors, it is likely that more tourists could be accommodated and more spending could be encouraged if the unique attributes of each area were further developed and if better connections were made among the three areas. Ideally, the enhancements that attract more tourists equally benefit local residents as well, resulting in a win-win for business activity, tax receipts, and quality of life.

Implementation Strategies

1. Implement and/or revise the existing Homer Spit Plan to clarify which areas of the Spit are oriented toward tourism and to encourage more private sector investment in these areas.
2. Complete the Town Center to provide a destination for shopping and other attractions serving both local residents and tourists in the downtown area.
3. Provide adequate parking for Spit attractions and/or efficient shuttle service between downtown and Spit areas.

More on these topics is presented in the Land Use and Transportation chapters.

Objective C: Increase the net benefits that tourism brings to Homer.

Homer's distinctive character and attractions create substantial economic benefits to the community in terms of jobs, business opportunities and tax revenues. Tourism also helps the community to host greater diversity and number of businesses and services than what local spending could support on its own. While tourism creates a wide array of benefits, it can also be disruptive to local life.

For example, tourism may exacerbate traffic congestion, transform commercial areas from local to visitor-serving, cause crowding at recreation destinations enjoyed by residents, and potentially adversely affect fish, wildlife and other elements of the natural environment.

As a result of this mix of positive and potential negative impacts, Homer should pursue a guided tourism growth policy. The community will promote tourism growth, but do so in a manner that helps sustain the qualities of the community that attract residents and visitors.

Preparing a full tourism management plan is beyond the scope of this comprehensive plan. Below are general objectives regarding tourism. Over time the community should develop a more focused community tourism plan.

Implementation Strategies

1. Establish clear, community-supported goals for the preferred amount, character, and timing of tourism growth.
2. Identify specific target visitor groups by considering the relative benefits that different types of visitors bring. Some groups of visitors, such as independent travelers from Alaska or those who fly up and rent a car, may spend more money per person and stay longer in a location than another group of visitors, such as cruise ship passengers. Visitors with specific interests such as education, arts, culture, or attending specific events like sporting tournaments, may also bring more money into the community than others.
3. Emphasize Homer as a destination; those amenities that are valued during longer visits are likely to also improve the quality of life for residents.
4. Develop new attractions, services, and facilities that draw identified target markets. Emphasize projects that benefit both residents and visitors (e.g., trails).
5. Promote environmentally friendly tourism or “eco-tourism.” Community members have expressed a desire to encourage tourism activities that do not require extensive changes to the existing environment, but rather help to conserve Homer’s natural setting and improve the area. Activities such as tidal pool exploration, bird watching, wildlife viewing, educational activities, and other passive or quiet recreation could figure prominently in tourism planning for the City.
6. Actively promote Homer to identified target markets, including Alaska residents, out-of-state independent travelers, and small group package tour travelers. Specific actions include:
 - a. Collaborate with Chamber of Commerce, KPB, Kenai Peninsula Tourism Marketing Council, and other organizations to actively promote Homer.
 - b. Maintain and enhance Homer’s reputation as a welcoming and exciting destination by accommodating and encouraging events such as the Shorebird Festival and Kachemak Bay Writers’ Conference.
 - c. Take advantage of new sports facilities to host more regional or statewide sports events.
 - d. Continue to explore the establishment of conference and convention capabilities in existing and/or new facilities.
 - e. Ensure that adequate basic infrastructure, such as water, sewer, and transportation capacity is available to meet peak demands of increasing summer tourism activity, as well as “shoulder season” activities.

- f. Ensure that fiscal mechanisms are in place so that tourist spending covers the costs that tourism generates in the community (e.g., demand for water, sewer; parking and other public services and facilities).
- g. City efforts to guide the growth of tourism shall aim to maximize the benefits of tourism and to minimize the costs imposed on the people of Homer.
- h. Monitor tourism growth with attention to its specific impacts on the community. For example, compile an annual report on facts about number of visitors to specific locations (e.g., Chamber Visitor Center, Pratt Museum, Islands and Ocean Center), conduct periodic surveys showing use of city services by tourists, etc.
- i. Extend the effective length of the tourism season by promoting “shoulder season” and year-round activities.

7. 15. Create a community tourism plan, considering the items above.

GOAL 9: Encourage a range of sustainable housing options suitable for diverse income levels, age groups and tastes.

Many residents expressed the view that economic development depends, at least in part, on a balance between income and the cost of living. Specific strategies to promote a diverse range of housing options are discussed elsewhere in this plan. This goal is included as a component of economic vitality to explicitly reflect the connection between housing opportunities and the economic well-being of Homer. *See the Land Use Chapter for policies on housing.*

GOAL 10: Maintain and enhance Homer’s quality of life as a principal economic asset.

Quality of life is challenging to define because it involves many different dimensions of a community and different people place different degrees of importance on these factors. The elements of quality of life that particularly contribute to economic development are those features that make the community especially attractive to residents, visitors, and small businesses. While there is room for further improvement, Homer currently possesses many such elements. These include:

- A Strikingly beautiful natural setting.
- A clean, healthy, natural environment.
- A Diverse, engaged, involved community and rich civic life.
- An active arts community, tradition of skill and interest in performing and visual arts.
- Access to education and lifelong learning;
- The opportunity to live in high-quality housing, at a range of prices.
- Multiple transportation and access options, a developing trail system, and road access to Anchorage.
- A relatively concentrated mixed-use town center.
- Diverse culture and leisure activities, including ready access to parks and a wide range of year-round outdoor recreation.
- Good health services and shopping.
- A feeling of safety and freedom from crime.



**CITY OF HOMER
CITY HALL**

MEMORANDUM

To: Homer Advisory Planning Commission
Through: Rick Abboud, City Planner
From: Anne Marie Holen, staff to Economic Development Commission
Date: July 28, 2010
Subject: Recommendations regarding Homer Spit Comprehensive Plan

At the July 13 regular meeting of the Economic Development Advisory Commission, the five members present discussed the draft Homer Spit Comprehensive Plan and unanimously approved three motions relating to suggested Plan revisions:

- Under Goals, Objectives & Strategies for Land Use and Community Design, revise 1.1 through 1.4 as follows:

1.1: Redefine and enforce zoning; specifically for Fish Dock Road, to make the zoning where conditional use permits are over and above what is really going on.

1.2: The City needs to build the pilings and deck [for overslope development??] and make it ready for leasing. Remove language about "develop a program on landscaping on the Spit," as the harsh weather conditions and dollar amounts aren't necessarily conducive to each other.

1.3: Provide showers on the Spit, and construct a Spit Town Square/non-profit by Pier 1 Theatre. Place summer benches along the biking trail.

1.4: Access to the end of the Spit by road should have priority over habitat. Use dredge spoils to increase the Spit.

- Under Goals, Objectives & Strategies for Economic Vitality, add a section related to Deep Water Dock Development, with the following recommendations:

1. Utilize cruise ship dollars to fix the area.
2. Recognize different types of vessels using the dock and make needed improvements to stage that area.
 - a. Fueling
 - b. Maintenance on vessels
 - c. Staging - parking
3. Provide bathroom, guard shack, covered waiting area.
4. Add this to the Capital Improvement Plan.
5. Provide a walking boardwalk around the perimeter of the harbor.
6. Complete dock expansion.
7. Fix incoming freight issues.

- In addition to the above recommendations, the EDC approved a separate motion to recommend incorporating a specific allowance for maintenance, security, and crew quarters into commercial and industrial zoning on the Spit.

Homer high-tech company awarded \$9.7-million contract from Air Force

7/22/2010 Homer News

BY MICHAEL ARMSTRONG
STAFF WRITER

The cliché about Homer's economy is that aside from public sector jobs, it's hard to make a good living here. Private businesses struggle in the boom-or-bust tourism and fishing industries. Artists try to make a living from their creative efforts. Want a good, high-paying job in industry? Go to Anchorage and Kenai or work on the North Slope.

Nobody told Colleen and Larry Riley that Founders of Kachemak Research Design in 2001, the Rileys didn't let the lack of high-tech jobs on the lower Kenai Peninsula discourage them.

They created their own.

"It's a bunch of geeks over here having fun and trying to solve problems. It's been an enormous

privilege to work with

the employees here."

— COLLEEN RILEY, CHIEF EXECUTIVE OFFICER
AND PRESIDENT OF KRKD

Unlike a lot of college graduates with advanced degrees in Homer, when the Rileys moved to Homer in 1996, they didn't settle for a job of honest labor that didn't quite use all their training and education.

Colleen Riley, chief executive officer and president of KRKD, had worked at the College of Engineering at Utah State University, where she established the Intelligent Mobility Program, designing robotic navigation systems for the U.S. Army. From that background she started KRKD in 1998, establishing its base at offices on East End Road. With her husband and chief engineer Garth Bradshaw, Riley built KRKD into a 16-employee company with offices in Homer, North Salt Lake, Utah, and Panama City, Fla.

Last month, the Air Force Research Laboratory, Tyndall Air Force Base, Fla., awarded KRKD a \$9.7 million, five-year contract to continue development of its under-vehicle inspections system, AutoScan. An-



Photo by Michael Armstrong, Homer News

Colleen and Larry Riley, founders of Kachemak Research Design, take a moment for a photograph at their East End Road building. KRKD recently was awarded a \$9.7-million, five-year contract to continue development of its under-vehicle inspections system, AutoScan.

other sponsoring agency for the contract is the Office of the Secretary of Defense, Physical Security Equipment Action Group.

It's the latest in several contracts to design, build and improve KRKD's core product.

Designed to do security and other scans from underneath vehicles, AutoScan takes a series of images as cars and trucks pass over it. The AutoScan is five feet wide by eight feet long and 18 inches deep. It can be set in a gravel or asphalt roadway at a security checkpoint, like the entrance to a military base. AutoScan takes a series of 1-pixel wide images as cars, trucks and even trains pass. The images are put together on a computer in a seamless mosaic and can be viewed from a central, secure location to look for bombs, weapons, drugs and even human intruders.

"It's like a copy machine in reverse," Bradshaw described the AutoScan.

KRKD has continually improved the AutoScan, making it smaller, for example, and improving the lighting with low-energy LED

bulbs. AutoScan is designed to be "plug and play" so that other sensors can be added.

Not just the undercarriage of a truck can be photographed, but license plates can be as well. Radiation sensors can be added to sense radioactive materials — a big concern with the threat of terrorists trying to make dirty bombs or high-explosive bombs that spread uranium, plutonium or other elements.

"If you have a sensor, we can integrate it," Colleen Riley said.

Although the military is a big client, AutoScan can be used at immigration and customs checkpoints or ports.

"There are tons of applications for this," Larry Riley said. "We just need to convince them (potential clients) they need it."

Devices like AutoScan serve as a deterrent to terrorists and other bad guys, he said.

"Where they know you have a deterrent system, they won't try," he said.

The secret to KRKD's success is simple: Hire smart people and reward them well.

Kachemak Research Design, or KRKD

FOUNDERS

Colleen and Larry Riley

LOCATIONS

East End Road in Homer, with offices also in North Salt Lake, Utah, and Panama City, Fla.

NUMBER OF EMPLOYEES

16

CORE PRODUCT

AutoScan, which is designed to do security and other scans from underneath vehicles

Colleen Riley said.

"We have the best team. They are all good. They're all sharp as tacks," she said. "We take as good care of our employees as we can get away with."

KRKD hires locally and keeps jobs in Homer. Manufacturing is done in Homer and in Utah. KRKD uses skilled local labor through subcontracts with businesses like Glen's Welding, Sloth Boat, Fritz Creek Welding and Ono's Machinery. It buys metal from Alaska Steel and Aluminum and lumber from Spennard Builders Supply. That's all money and business that stays in Homer and contributes to the local economy, Colleen Riley said.

The next few years should see more growth at KRKD, she said — and more job opportunities. Where possible, KRKD will look to Alaskans for needed skills, particularly graduates from engineering programs at the University of Alaska Anchorage and University of Alaska Fairbanks.

"It's a bunch of geeks over here having fun and trying to solve problems," Colleen Riley said. "It's been an enormous privilege to work with the employees here."

Michael Armstrong can be reached at michael.armstrong@homernews.com.

MANAGERS REPORT
JUNE 28, 2010

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

1. Bridge Creek Watershed / Proposed Wildfire Protection and Forest Health Restoration: I have mentioned to the Council several times over the past few months that the City has been working with the State Division of Forestry and the Borough Spruce Bark Beetle Program to look at ways to reduce the chances of wildfire, protect water quality, and accelerate the restoration of forest health in the Bridge Creek Watershed. Attached is a report and set of recommendations. This is a matter that the Council should discuss soon and I believe we would need to reach out to adjacent landowners and the public as much as possible if we moved forward. The authors of this report have agreed to come and speak with the Council if requested.
2. Spit Parking MOU: Attached is a letter from the Regional Director / DOT/PF which discusses the City's immediate plans for parking on the Sterling Highway ROW. As promised, we received a draft agreement this week which will eventually make its way to Council for approval after a little more discussion. One thing that the Council may want to think about is that in the draft, DOT/PF proposes to give the City control of the ROW for the entire Spit, not just the congested area between Freight Dock Road and Fish Dock Road. This authority would apply to parking, certain traffic control measures, and speed limits. There are some advantages to doing this. There are also costs, but they should be limited.
3. Main Street: When I was in Anchorage last week, I had a chance to speak with the DOT/PF traffic engineer. We talked about Main St. refurbishment and the Main St. / Sterling Highway intersection. Scott told me that DOT/PF now believes that it can construct intersection improvements and a traffic signal for the amount of money we have (\$ 2 Million). DOT/PF still prefers a roundabout but it is aware that the Council wants to do something sooner rather than later. Council has already adopted a resolution expressing support for a traffic signal if that is all that can be afforded right now. So, DOT/PF is looking for a confirmation that the City wants it to proceed.
4. New Water Treatment Plant: The new water treatment plant is performing very well. At the time this report was written, the plant was producing water turbidity levels that are 10 times better than EPA's newest standard. The plant is also using much less treated water for the purpose of back flushing filters, which makes it more efficient. Test results on other contaminants will be available soon but the early indicators are very positive.
5. Siren Testing: We continue to experience problems with the all hazard warning sirens. The new director of Borough OEM is making a concerted effort to fix the problem. This week there were a series of tests designed isolate the problem. The system was activated from Soldotna, HPD dispatch office, and the harbor master's office. Hopefully I will have more information to report by meeting time regarding the test results.
6. Parity Study: At the Council's request, the staff has been looking into the possibilities and the pros and cons of outsourcing the parity study this time. This meeting agenda contains a resolution which directs us to do the study in-house. Based upon the research Sheri has done, we have concluded that while there are definite benefits associated with outsourcing, the communities that have done it recently are not happy with the product and it was very

expensive. Outsourcing could cost \$20,000 to \$30,000 or more depending up the extent of what we ask the consultant to do. Doing it in-house still has a cost associated with it (150 hours of staff time last time we did it) but it is money already budgeted and the City would wind up with a product that was at least as good.

7. Parks MOUs: The City, through the Community Recreation Program Coordinator is working on draft MOUs between the City and various entities that use the City's parks. This includes the Little League, the softball association, and the Jack Gist Park Association. The idea would be to get a little more formal about outlining the roles and responsibilities of the parties, including scheduling, maintenance, capital improvements, liability, etc. You will hear more about this in the near future.
8. Animal Shelter Dog Lot: The Homer Animal Friends and the staff and volunteers at the Homer Animal Shelter have long wished for a fenced in dog walking and play area. If this area was created, dogs could be walked, play, and socialize without being on a leash. People looking to adopt animals could get to know them in a secure area without the animal having to be on a leash. Space is limited for this but we have identified the area immediately to the left of the Shelter entrance, between the Sterling Highway, the entrance to the Public Works complex, and the Public Works parking lot. This is a rather narrow strip of land and can be seen from the highway. Carey is presently seeking bids for a fence and we told Homer Animal Friends that the City would consider splitting the cost (total cost estimated at \$8,000). We hope this location will work for all concerned.

ATTACHMENTS

1. Letter from DOT/PF re: Spit Parking MOU
2. Article about Homer / ICLEI Case Study
3. Letter and info from Borough Spruce Bark Beetle Program re: Bridge Creek

MANAGERS REPORT
August 9, 2010

TO: MAYOR HORNADAY / HOMER CITY COUNCIL

FROM: WALT WREDE

UPDATES / FOLLOW-UP

1. Bridge Creek Watershed / Proposed Wildfire Protection and Forest Health Restoration: At the last meeting, the Council was introduced to a report prepared by the Borough Spruce Bark Beetle Mitigation Program staff which discussed wildfire danger and threats to water quality in the Bridge Creek watershed. The agenda for this meeting contains a resolution which accepts this report and authorizes the City to participate in a project that reduces the fuel load and institutes reforestation. The authors of the report will be at both the Committee of the Whole and the regular meeting to present a concept plan about how fire danger would be reduced, the forest restored, and water quality protected. This is where the "rubber meets the road" and is what most residents, adjacent property owners, and other concerned citizens will be most interested in. It is important that the Council make a decision soon about participation because the stimulus money must be committed by September 1. However, there is still plenty of time to work out the details of what is actually done. The plan will evolve based upon Council input and that of the public. Also, according to the City code, this activity will likely require a conditional use permit, so there will be at least one hearing at the Planning Commission.
2. Spit Transfer of Responsibility Agreement (TORA): This agenda contains a resolution approving a TORA between the City and ADOT/PF. This is the agreement under which the City is granted authority to regulate and maintain parking, pedestrian crossings, seasonal speed limits, loading zones, etc. within the ROW along the entire length of the Spit Road. At the time this report was written, the City was still discussing a few issues with DOT/PF and some amendments may still be coming. So, it is possible that we may ask Council to postpone this resolution for one meeting. But, we thought we would put it out there in its present form so that the Council and the community could get a look at it. It is not likely to change much.
3. Main Street/Sterling Intersection: Based on the discussion Council had at the last meeting, I wrote a letter to DOT/PF this week stating that the Council still preferred a traffic signal at the intersection of Main St. and the Sterling Highway. I provided a copy of the original resolution expressing that preference and stated that the City requests that DOT/PF begin this project as soon as possible; particularly since we know that DOT/PF now believes it can do it within the amount of money we have available.
4. Sales Tax: I have been receiving a fair amount of calls by people concerned that itinerant merchants and merchants at flea markets and other events are not collecting sales tax. We have had several discussions with the Borough Finance Department over the years about how to better monitor and enforce sales tax laws and we will do so again. The Borough Finance Department has suggested that it would be easier for it to keep track of businesses and enforce the code if the City had business license program. This idea has been discussed in the past but has received little traction.
5. Courtesy Vans: At the last meeting, the Council heard testimony from representatives of two taxi companies who were upset that a local businessman was providing free courtesy van service from the cruise ships to his business. They felt that this was unfair competition. I responded that the City was aware of the complaint and was looking into it. The Police Chief

and the City Attorney have determined that these “courtesy” vans cannot be regulated under current state or city code. The City code is tied specifically to persons who provide the service for “hire.” Since the operator is not receiving money for the service, he is exempt. Tom Klinkner has looked into this further and reports that other cities have addressed this issue and some regulate these types of services. Kodiak, for example, has a number of courtesy vans that take people for free from the airport to local hotels or other businesses. These vehicles are all attached to specific businesses and are part of their overall business operations. Kodiak regulates them like they would a taxi or other vehicle for hire. So for example, persons or businesses operating these types of vehicles might be required to obtain a chauffeur’s license, proper insurance and pass physicals and background checks, like taxi drivers. It would be relatively easy to amend the City code to regulate this activity if the Council wishes.

6. Animal Shelter Fenced Area: At the last meeting we told the Council about a proposal to build a fenced in area adjacent to the shelter that could be used as an off-leash play and socialization area for animals, primarily dogs, that are housed at the Shelter. Council asked us to look at whether it was feasible to put the fenced area near the RV dump station. Carey looked at that site and determined that it was too wet and would require substantial amounts of fill material. That would cost more, would require a Corps of Engineers Permit, and special permission from all of the agencies that were signers on the conservation easement (that land was purchased with Exxon Valdez funds). In addition, the Homer Animal Friends and Shelter staff and volunteers felt that the facility would not be used as much if it were not adjacent to the Shelter. So, we decided to move ahead with the original plan. \$5,600 of the money needed for this project will come from the Homer Animal Friends and the remaining \$3,000 will come from the existing HPD operating budget. The fence will be chain link with the exception of the section facing the Sterling Highway. That will be cedar. The Parks department staff will also plant shrubs and bushes along the fence for further screening. Contrary to rumors that I understand are floating around town, this will not be a dog park. It is exclusively for the use of Shelter staff and volunteers for animals that are housed at the shelter and people interested in adopting them. The general public and their dogs will not be allowed.
7. July 30 Treasurers Report: Finance Director Regina Harville recently placed a copy of the July 30, 2010 treasurer’s report in your mailboxes. A copy of the report is attached here. I included it to give the Council an opportunity to discuss it at the meeting if it wishes. Regina will be there to answer questions. This report is important because it shows us where we are at mid-year. You will recall that when the budget was adopted, the Council stated that it would like to look at perhaps adding some things or increasing funding for some items at mid-year if finances allowed. You will see that the departments are doing a good job at keeping expenditures in line with the budget. Revenues are a little down right now but that is expected since most of the sales tax and almost all of the property tax comes in later in the year. The next quarter, ending September 30, will really tell the story on the sales tax. In short, I don’t see any indication at this time that Council can safely add anything major back into the budget.
8. Anchor Point / Homer Gas Line: At the last meeting, the Council approved Memorandum 10-93 which set out a recommended course of action on the Anchor Point to Homer gas line project. Council heard testimony from Enstar that it is ready to build the regulation station and stage one of the gas line to the Anchor River this fall, hopefully starting on September 1. Doing this has advantages because it will set us up to seek the money for Phase II ; the rest of the line into Homer and on to Kachemak City. To do the work on this timeframe will require a leap of faith by the Council. Enstar and the City are currently working on an agreement/contract which should not take too long to complete. After that, Enstar will need a formal Notice to Proceed. They will upfront the money, build the project, and bill the City after the project is complete.

One possible hurdle is that we don't have the grant agreement yet. Council normally passes an ordinance accepting and appropriating grants. To stay on this schedule, I would have to issue a notice to proceed before the Council formally accepts the money. If I do that, and the Council changes its mind and does not accept the grant, the City would be on the hook for the money Enstar expended to build the project. I think Council might want to discuss this a little before I proceed too much further to make sure we are all on the same page.

ATTACHMENTS

1. Letter from the Pratt Museum
2. July 30, 2010 Treasurer's Report

Alaska Economic Report

— *Tracking resource, business, industry
& construction issues since 1974*

Publishers: Mike & Tim Bradner (907) 440-6068
3037 South Circle, Anchorage, AK 99507

June 30, 2010 - No. 10/2010

AIDEA loan data shows business picking up

In an important economic signal, business participation loan deals by the Alaska Industrial Development and Export Authority, the state's development corporation, are up sharply. These are commercial loans, typically for real estate or capital investment, originated by banks and brought to AIDEA as a partner.

As of early June AIDEA has done \$38 million in loans with another \$11 million where closure is pending. The agency hopes to finish out the 2010 fiscal year, which concludes June 30, with \$48 million in new loans on the books. That's a sharp contrast to \$26.7 million in FY 2009 lending. The Alaska economy was not all that affected by the national recession but business confidence was, resulting in very low loan demand. The uptick in commercial loan demand signals a return of confidence, AIDEA says.

In another development AIDEA will be processing \$90 million in low-cost money available for business expansion under a federal stimulus project. The rates will be essentially tax-exempt. Some municipalities will be able to issue bonds for such activity but AIDEA may be the main conduit. Applications have to be to the agency by Aug. 31, with the program expiring at years end. Similar low-cost financing for development projects, typically for infrastructure, will be available through the Alaska Municipal Bond Bank.

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- Fairbanks employment Pg. 4
- BP: No immediate effects Pg. 6
- ITH cranks up at Livengood Pg. 7

Resource Supplement published separately

Tourism season about equal to 2009, still below '08 levels

Surprisingly, the 2010 tourist season isn't turning out to be the disaster many had feared. The decline in cruise ship visitors is as expected because of ship redeployments, which hurts communities like Fairbanks which depend heavily on cruise tourists. But that decline appears to be offset by an increase in independent travellers. Those volumes are far better than last year although not quite back to 2008 levels, tour opera-

tors report. Looking at the big picture, however, the total number of visitors may be about at 2009 levels or even slightly up. Meanwhile, hopes are the reduced state cruise passenger tax may tempt some of the cruise ship operators to increase vessel calls next year. *Increased promotion funding, from \$11.7 million to \$18.7 million, will also help boost next year's visitor season.*

General Business:

EPA: Lead restriction on aviation gas

The comment period closed June 28 on the U.S. EPA's rule limiting use of low-lead aviation gasoline used mainly in piston-engine aircraft commonly flown by bush air carriers in rural Alaska. Larger turbine and jet aircraft can use lead-free fuel but some lead in fuel is needed for piston aircraft engines to perform safely, particularly in cold temperatures. Calista Corp. is particularly concerned with the proposed EPA rule because most villages in Calista's region of Southwest Alaska have runways less than 3,300 feet, too short for medium-size turbine-engine aircraft. The region is heavily dependent on the smaller aircraft.

RCA nixes Southeast power rate hike

The Regulatory Commission of Alaska turned down Alaska Electric Light & Power's request for a temporary 18 percent rate increase but is still considering the company's request for a permanent 22 percent increase, which the commission may take as long as a year to decide. AEL&P said it may go to court to appeal the denial of the temporary increase, arguing the revenues are needed to help pay for a new project that went on-line last year as well as other costs that have increased.

Annual aerial exercises in Alaska

The U.S. Air Force concluded its annual "Red Flag" summer aerial training exercises at Elmendorf and Eielson air force bases, an event that brought more than 2,000 American and foreign pilots, support and maintenance staff to Alaska for training. The exercises are done in the 67,000-square-mile Interior Alaska training area where airspace is reserved. The availability of training space in Alaska, both in airspace and on land, is a key advantage of the Alaska military installations and for the state in its efforts to retain the bases.

\$16 million new Juneau cultural site

Sealaska Corp. took an initial step toward construction of a \$16 million new Southeast Alaska Native cultural and visitors center in Juneau with the purchase of a lot in the capital city's downtown adjacent to Sealaska's corporate offices. The corporation will take ownership of the property in mid-July and will do landscaping to enhance its appearance until work on the building begins. The state has appropriated \$2 million to aid in the planning for the facility. The center will provide a facility for the study of Native cultures and the preservation of historical papers and collections. Construction, which will provide about 80 jobs, is expected to take two years.

25 cargo flights/week now overfly; new jet fuel coming to Anchorage

Overflights of Anchorage by international air carriers has increased to about 25 a week, up from 15 a few weeks ago, due to lack of jet fuel availability. However, Flint Hills has restarted its third oil process unit and is now shipping fuel to Anchorage, somewhat alleviating the situation. Airport officials are now working to get those flights back. About 600 widebodies land in Anchorage weekly, mostly cargo refueling stops, so the lost 25 isn't a crisis but the trend has caused concern. Carriers will still be worried about fuel because Flint Hills has told the state it will shut the unit down in October. Meanwhile, AIDEA, the state development corporation, has issued a contract to scope out costs for building additional fuel storage capacity at the Port of Anchorage for possible use by tankers bringing in fuel. The report is due July 30. If fuel storage issues are impeding market competi-

Donlin Creek to decide on its gas pipeline next year

Most state and community leaders have considered the idea of a gas pipeline to the big Donlin Creek gold project near the Kuskokwim River another pipeline "pie-in-the-sky" (*pretty much as the "bullet line" is talked about by politicians*). However, the Donlin Creek Joint Venture is putting serious money into the idea. The company (*a venture of Barrick Gold and NovaGold Resources*) announced that \$18 million will be spent on pipeline studies this year, but we were told recently the idea is more advanced than was previously believed. The pipeline would be 325 miles long at 12 inches in diameter. While the \$18 million is to fund just pipeline work, mostly geotechnical and environmental studies, much of Donlin Creek's \$47 million budget this year is aimed at updating the overall mine economic study to include the gas option.

The goal is to have the work completed by late spring or early summer so the joint venture can decide by mid-summer between its current base case, which is relying mainly on diesel, and gas shipped in from Cook Inlet by pipeline. The goal is to be able to apply for permits by late 2011. NovaGold told us that a conceptual study of the pipeline idea, including reliance on imported liquefied natural gas (LNG) if no other gas were available, indicates that the pipeline (and LNG imports) ideas were worthy of further study, which led to the public announcement and the work underway now.

Route through Skwentna and Rainy Pass is being considered

The route being considered would depart the Beluga field area, with its existing pipelines, go through Skwentna and Rainy Pass (alternative passes are also being studied) and then straight to Donlin Creek near the Kuskokwim. There are only two significant river crossings, one of them being the Kuskokwim. The initial plan is for underground river crossings. While it's possible the line could eventually serve communities in the region the permit applications will indicate a sole industrial user, the mine. Donlin Creek doesn't want to become a utility serving others besides itself. However, the 12-inch pipe is sized so that more gas could eventually be shipped in the event a utility is formed to get into the regional gas distribution business.

We previously estimated Donlin would require about 10 billion to 11 billion cubic feet of gas per year, about a third of what Enstar Natural Gas Co. supplies to its customers. We calculated this a couple of different ways but relied mainly on a straight conversion of the energy delivered through diesel for mine power and vehicles in the base case to equivalent energy delivered by gas. The Donlin group doesn't yet have an estimate of gas demand, at least one it is willing to release, but NovaGold told us our estimate was probably in the ballpark. As to a gas source, we were told the pipeline and updated mine feasibility study must come first, followed by the companies' decision on the preferred alternative, before any talks are held on gas supply.

- Continued on page 7

Business Intelligence

Confirmed: 60 percent of Fairbanks jobs government-funded

It should be no surprise, but 6 of 10 jobs in the Fairbanks Borough are directly or indirectly created by state or federal dollar spending. That's one outcome of a Social Accounting Matrix recently completed by Fairbanks Economic Development Corp. and reported by the borough government in its quarterly economic report just issued. The model developed by FDIC, based on 2006 data, showed federal spending creating 42 percent of jobs; the private sector 36 percent, and state spending (90 percent funded by oil revenues) accounting for 22 percent of Fairbanks-area jobs.

The model estimates that 20 percent of all public spending (state and federal) was spent on local contracts, which stimulates the private economy. This money generates 50 percent of all construction jobs and 25 percent of professional services jobs (a category that includes engineering, environmental services, etc.), the study said. The dominant economic driver is the military. Fort Wainwright and Eielson Air Force Base bring \$1.2 billion into the local economy each year and generate 30 percent of all jobs in the region. FDIC also reported that the top-wage jobs are, again no surprise, in petroleum, with pipeline-related work paying average salaries of \$156,664 per year; refineries paying \$142,747 on average; and oil and gas generally paying \$107,890 on average. Utilities jobs paid well, too, averaging \$140,023 per year.

IS ANCHORAGE'S ECONOMY GROWING? Anchorage's economy is holding steady and may actually be growing slowly, outperforming expectations. Anchorage Economic Development Corp. reported that the local economy gained 575 jobs as of April, year-to-date, as compared to the same period of 2009. In its 2010 forecast AEDC had projected a gain of 200 jobs for the year. Anchorage's population increased 2.7 percent in 2009 over 2008, to 290,588, according to estimates by the Alaska Dept. of Labor and Workforce Development.

ALASKA AEROSPACE TEAMS WITH LOCKHEED MARTIN: Alaska Aerospace Corp., the state corporation that operates the Kodiak Launch Facility, has teamed up with major defense contractor Lockheed Martin to pursue a major contract to maintain and enhance the national missile defense system. Alaska Aerospace has been a contractor for several years to the Missile Defense Agency in support of testing of the ground-based missile interceptors. The two companies are going after a support contract held by Boeing for 10 years.

In attempting to land the contract, which the Defense Department reopened May 14, Alaska Aerospace will propose ideas for management enhancements at the existing missile interceptor launch facility at Fort Greely, east of Fairbanks, and will support its arguments based on its track record of successful operations and launches at the state-owned launch complex at Kodiak. Lockheed Martin will propose ideas for improving reliability of the interceptors. The contract will be awarded in 2011 and would be for five years. It will be worth about \$600 million a year.

SPILL CLEANUP COSTS FOR SUNKEN STEAMER COULD HIT \$12 MILLION: The U.S. Coast Guard officials said a project to

SUNKEN STEAMER COULD HIT \$12 MILLION: The U.S. Coast Guard officials said a project to recover 110,000 gallons of bunker oil from the sunken steamer Princess Kathleen is complete and that costs may reach \$12 million. Federal funding for the cleanup came from the Oil Spill Liability Trust Fund. The 369-foot Canadian Pacific steamer, a passenger vessel, sank in 1952 north of Juneau. All on board were rescued but the ship has periodically leaked bunker fuel stored on board.

SEALASKA DIVIDEND INJECTS \$3.7 MILLION INTO SOUTHEAST ALASKA: Sealaska

Corp. made an April 2010 dividend distribution injecting \$3.7 million into the Southeast Alaska economy. The Juneau-based Alaska Native regional corporation has about 20,000 shareholders with roughly 40 percent living in Southeast. Sealaska's annual meeting is June 26 in Craig.

PARNELL APPROVES STATE BOND ISSUE VOTE ON EDUCATION PROJECTS:
 nell signed House Bill 424, which will allow voters to

UNIVERSITY BOND ISSUE VOTE ON EDUCATION PROJECTS: Gov. Parnell signed House Bill 424, placing the \$380 million general obligation bond issue on the November election ballot. If approved the bonds would finance construction of eight education facilities. Major projects include a new life sciences building at the UAF campus; a new sports complex for UAA in Anchorage, and three major rural schools, in Kwigillingok, Kipnuk and Alakanuk, all in western Alaska. Another bill signed by Parnell, HB 184, increased the university's authorization for debt from \$1 million to \$2.5 million, which allows the university to issue \$20 million in revenue bonds as part of a financing package for the new life sciences building. The governor also signed SB 237, making permanent a 70 percent state reimbursement for debt service on municipal school bonds. Previously the state sharing was extended on a periodic basis, and sometimes at 50 percent. The bill also established a fund for rural school construction.

- Continued on page 8

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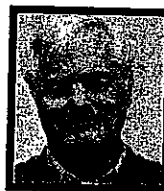
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Petroleum:

State fast-tracks tax consultant deal

In a strong signal that the state administration expects to conduct negotiations on state oil and gas tax revisions to encourage a natural gas pipeline, the state Department of Revenue issued a fast-track Request for Proposals for oil and gas tax consulting services that could be worth up to \$2 million. The RFP was published June 17, and bids expected June 30.

The winning bidder is to be announced a day later. A major project under the contract is the development of a computer model of Alaska's oil and gas tax system so that different options for changing taxes can be weighed. Revenue Commissioner Pat Galvin said the contract would build on work done by Gaffney Cline, a long-time consultant whose contract is expiring.

The fast-track bid prompted criticism from some legislators who said the deal is likely wired for a preferred consultant. Galvin denied that.

Kenai LNG plant license extension

As expected, ConocoPhillips and Marathon Oil formally applied for a two-year extension to the companies' federal license to export liquefied natural gas from the Kenai LNG plant. The current license is due to expire in March 2011.

The request does not increase the amount of LNG that would be exported under a previous license extension, as the volumes of LNG exported have actually been below expectations, but just grants the plant an additional two years to ship the approved amount. One reason why volumes are below projections is that the plant diverted gas supplies from the LNG plant to local utilities to fill shortfalls in gas during winter cold snaps. Such shortfalls are expected to continue as daily production from existing gas fields in Southcentral Alaska continues to decline.

Kenai LNG license extension (Cont.)

Both companies also have contracts to supply local utilities and, if the extension were granted, would honor those contracts first before exporting the gas as LNG to customers in Japan. The U.S. Department of Energy issues the export license.

Enstar to file for gas storage in July

Enstar Natural Gas Co. said it will file its long-awaited gas storage lease application with the state Dept. of Natural Resources in early July. The utility proposes to build a storage facility for itself and other customers under terms of a recently-enacted new state law that grants incentives and special lease terms.

More gas storage is urgently needed in Southcentral Alaska because of declining production in gas fields in the region to the point that during winter cold snaps daily production can no longer meet demand. Storage, common in the Lower 48, is one solution. Since gas demand is low in summer there is surplus production that can be stored for peak demand periods in winter. Storage isn't cheap, however, and local consumers will bear the cost.

U.S. Fish and Wildlife Hearings

The U.S. Fish and Wildlife Service held hearings in Anchorage June 15 and Barrow June 17 on polar bear critical habitat designations, which were declared endangered in 2008 under the Endangered Species Act. Development groups and state officials opposed the huge size of the designated area, saying it could complicate petroleum development

Contact us: akecon@gmail.com

Minerals:

75 at work at Livegood gold project

International Tower Hill Mines resumed exploration drilling June 1 at the company's Livengood gold project. Five drill rigs and about 75 people will be at work this summer drilling 150,000 feet of core, the goal being to expand boundaries of the known resource now estimated at about 18.5 million ounces of gold. In May, the company released results of a test of its planned gold recovery process, which showed 89 percent of gold in various types of rock from the site extracted to a concentrate. That's a good result, the company said. ITH will use that data in a preliminary feasibility study now underway, which will consider using a mill gold extraction process, a heap-leach extraction, or both. The Livengood mine will be an open-pit project similar to the Fort Knox mine now producing near Fairbanks. Unlike Fort Knox, however, living facilities will likely have to be built at the mine. Livengood may be too far for a commute from Fairbanks.

Mat-Su okays Wishbone Hill coal deal

The Matanuska-Susitna Borough approved an extension of a lease of borough-owned land

Usibelli plans Wishbone Hill mining

to Usibelli Mine Inc. to facilitate access to the proposed project to mine bituminous coal at Wishbone Hill, 10 miles north of Palmer. The state is considering the company's application for exploration at the mine site this summer, and will decide permits by July, DNR said. Usibelli plans to build an access road and drill seven to eight exploration holes this summer. The company is changing its application for the permit to accommodate concerns.

Usibelli estimates Wishbone Hill contains about 6 million tons of coal that can be economically mined but the reserve figure may grow. Reserves are believed sufficient for at least 12 years of mining operations. The company is doing a feasibility study of the Wishbone Hill mine in cooperation with its Japanese customer, J-Power.

Coeur Alaska started production at the Kensington gold mine near Juneau ahead of schedule. The mine will employ 200. A Chinese state-owned company agreed to buy half of Kensington's gold concentrates.

Donlin Creek: Six years is needed to permit, construct mine and pipeline

- Continued from page 3

In terms of timing, the companies are looking at about three years to permit the project once it is decided on and then three years to construct it. Assuming a decision in 2011 that puts first production, conceptually, in 2017. The timing coincides roughly with a possible "earliest time" that a "bullet" gas pipeline could be built from the North Slope but NovaGold said it can't base its plans on the hope that a bullet line will actually be built.

Barrick and NovaGold also hope the work to revise the mine feasibility assessment will project lower capital costs. The current estimate of over \$4 billion was put together a couple of years ago when materials costs were soaring. Donlin Creek has 33.6 million ounces of proven and probable gold resources, and if developed would be one of the world's largest gold mines. The subsurface is owned by Calista Corp., a regional Alaska Native corporation, with surface lands owned by The Kuskokwim Corp., a consortium of local village corporations.

Business Intelligence (Cont.)

- Continued from page 5

STATE NOW PARTNERS WITH DOE IN GUARANTEEING ENERGY LOANS: Gov. Parnell is taking flak for his vetoes of almost \$90 million in renewable energy projects from the state capital budget, but federal money for renewable projects is still coming in and the state development agency, the Alaska Industrial Development and Export Authority, is now authorized to partner with the U.S. Dept. of Energy in guaranteeing 80 percent of loans for qualifying renewable energy projects. "Renewable" includes wind, geothermal and certain hydro projects. Loans can also be used to finance electric Interties to connect renewable energy projects to a grid. The DOE funding comes through the federal stimulus act with \$6 billion in the project. There is no allocation to states, so Alaskans should move quickly to get loan applications into AIDEA. The Alaska Energy Authority, AIDEA's sister agency, will vet project applications from a technical standpoint.

HOME WIND SYSTEM SALES EXPANDING ON KENAI PENINSULA: Homeowner installations of wind turbines are catching on with Kenai Peninsula residents, where Alaska Wind Industries, a local firm, is promoting sales. A renewable energy credit program by Homer Electric Assoc. is helping spur growth, too. Alaska Wind Industries is due to install turbines at 47 locations this year, up from 30 last year. The units aren't cheap—a 49-foot, 1,300 lb. turbine cost one homeowner \$41,000, although U.S. Dept. of Agriculture grants are available to cover 25 percent of that.

KETCHIKAN'S SHIPYARD GOES AFTER STATE FERRY JOB: Ketchikan's Alaska Ship and Drydock will compete for construction of the new \$120 million Alaska-class state ferry set to go to bid July 1, and the company hopes its recent success in building a vessel for the U.S. Navy and the Matanuska-Susitna Borough, involving new-technology systems, will give it a shot at the ferry. The Ketchikan shipyard does a lot of maintenance and overhaul work including on state ferries, but has actually built only two vessels, including the Mat-Su ferry. The new state ferry will be 350 feet long, 74 feet wide and will accommodate 499 passengers and 60 standard-sized vehicles.

Despite its aspirations, Alaska Ship and Drydock was not successful in its bid for construction of two new tugs and barges for a private company set to begin operating in western Alaska in 2011. The company's bid was several times that of competing Lower 48 yards. With the Mat-Su ferry complete, the shipyard is now at work constructing the 116-foot Ketchikan airport ferry, the MV Ken Eichner, which will join an existing ferry, the MV Oral Freeman, on the Ketchikan airport shuttle. The \$7.5 million vessels will have capacity for 100 passengers and 23 vehicles.

DUBUQUE UNIVERSITY OUT OF SHELDON JACKSON DEAL: The University of Dubuque ended talks with Sheldon Jackson College in Sitka about taking over part of the campus of the closed college, citing lack of "community support," mainly the city waffling on a \$5 million commitment discussed earlier. The University of Dubuque had proposed investing \$2 million as its part of a projected \$8 million program to renovate buildings at the college, many which date from 1911. Sitka officials said Dubuque had unrealistic expectations of the city's ability to raise the money.

Special Resource Supplement

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Resource Supplement - July 8, 2010

The "bullet" line: Can we afford it? Big industrial customers are needed

The first big increment of "bullet" gas pipeline cost studies was completed June 30 and handed over by Bob Swenson's team in the governor's office to a new project management team named in House Bill 369 which the governor has signed into law, reluctantly, we understand. The new team, separated from the governor's office (to prevent any odor of political influence) is under a new gas pipeline corporation subsidiary formed by Alaska Housing Finance Corp., and is headed by AHFC director Dan Fauske and includes the executive director of the Alaska Natural Gas Development Corp., the chairman of the Alaska Railroad, the Commissioner of the State Dept. of Transportation and Public Facilities, and the in-state gas coordinator.

The bullet line is the state's alternative to get North Slope gas south in case the big pipeline effort derails. The conventional wisdom of Legislators and among most business leaders, by the way, is that it is derailed because of the gas-saturated Lower 48 market.

- Continued on next page

Our greatest natural resource: Young Alaskan talent

We normally touch on natural resource topics in this report but we want to report some developments on our state's human resources, talented young Alaska Native students training for professions in sciences and engineering. Remember that these kids are from here (*they don't have to be recruited from out-of-state*), they know Alaska and want to live and work here. Those are important qualities for Alaskan employers.

What's also important is the University of Alaska's Alaska Native in Science and Engineering Program (ANSEP) seems to have found some important keys to stimulating interest and performance in science, math and other challenging academics among Native students in rural high schools. ANSEP has been working for more than a decade in helping rural high school graduates bridge the academic and cultural gap in transitioning to the university.

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No surprises in bullet line report. It will be costly

- Continued from previous page

Only Gov. Sean Parnell is still a cheerleader for the TransCanada/ExxonMobil project, it seems. There were no surprises in the report by Swenson's team. The project will be expensive, from \$6 billion to \$12 billion depending on how it is built, how much gas is moved, how gas is processed for the pipeline and liquids extracted. The cost of shipping the gas through a 24-inch pipeline (*the case considered*) is substantial. The difference between these numbers and estimates released last November by the team (*then under Harry Noah, who resigned last December*) was that the previous numbers were for the pipeline only. The new numbers include estimates for facilities for treatment for the gas and, in some cases, extraction of gas liquids. While there was no contingency for cost increases, it should be recognized that with an early-stage estimate like this the actual costs could be 25 percent higher, or lower, unlikely as that would seem.

Our view is that residential and commercial consumers in Fairbanks and Anchorage, customers of utilities that would be served by this system, will not be willing to absorb these kinds of costs unless they are mitigated by big industrial customers sharing the cost. The problem is that the costs may also be beyond the range of what most potential large industrial customers will be willing or able to pay. Most industrial projects seeking gas as a feedstock will have a choice of international locations, also.

Fauske team challenge: Making the project work

It is the responsibility of the new team, under Fauske, to try to find a way this project can work. One way, some say, is to expand the size of the pipe and reduce the number of compressor stations. Round pipe is cheaper than compressor stations, so this might be a way to get the same amount of gas – at least the methane, which is the fuel people need for space heating and power generation (*less capital cost per unit of energy transported*). Also, a big increment of the cost is the gas conditioning cost. We're told that in most places the producers deliver pipeline-quality gas to the pipeline, and bear the conditioning cost themselves. Was that possibility considered?

The sacrifice might be in being able to run the pipeline at high pressures and also move liquids like propane and butane. Ethane, which can be used in petrochemical manufacturing, can be moved in a low-pressure pipeline with the methane. (*See our last report for a discussion of this.*)

The question people are asking is that if the pipeline bears greater costs to be built to move butane and propane, who will pay this extra cost? The consumers? What's curious, and what's caused a buzz in the street talk, is the team being so fixed on a costly 24-inch

- Continued on next page

Why all the scenarios of a 24-inch pipe?

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pipe scenario with lots of compression and did not consider (*resisted, we're told*) more creative variations like what we described above. What might the reasons be for this? There might be an explanation and if there is we're all ears, and we'll report it. Meanwhile, if industrial customers are needed to make this pipeline fly, what are the options? Here are five we hear: (1) a restarted Agrium Corp. fertilizer plant in Kenai; (2) an extension, and perhaps expansion, for the liquefied natural gas plant also near Kenai, possibly with a new product; (3) a gas-to-liquids plant; (4) supply mines like Donlin Creek, and (5) a small to medium-sized petrochemical plant using natural gas liquids moved through the bullet line.

Each of these merits a paper unto themselves, but basically none of these industrial buyers with the possible exception of a large mine in a rural location could afford to buy gas at the 24-inch tariff under even the most favorable scenario in the recent study and in addition purchase the gas from the producing company.

Agrium once said it couldn't pay more than \$2/mcf

Agrium once told legislators it couldn't afford, at least then, to pay more than \$2 per thousand cubic feet (mcf) for gas. Agrium officials more recently have said privately it would be tough for them to pay \$5/mcf, much less the \$12 to \$16 the gas would cost under the 24-inch pipe case. The LNG plant would be up against tough competition against LNG landed in Asia from Sakhalin, Australia and Malaysia, and LNG plants in the Persian gulf that might sell for as low as 50 cents/mcf.

A gas-to-liquids plant is probably in the best position because it would make liquid fuels selling at a higher value and can thus afford to pay more, but there is still a limit of what it can pay. As for petrochemicals, the Alaska Natural Gas Development Authority has been testing market interest in gas liquids and there hasn't seemed to be an overwhelming response.

However, a remote mine like the Donlin Creek project might be able to afford this gas. In this case the calculation is against the alternative form of energy - diesel shipped in. To illustrate, diesel at \$2.75 per gallon equals about \$20 per million British Thermal Units. Since 1 million Btus equals about 1 mcf of gas, the mine could thus pay up to \$20/mcf and still come out ahead. Donlin Creek is looking at gas, and needs about 10 billion cu. ft. per year.

We believe the new study team should widen the options and find a scenario that an industrial customer can afford because it would be one consumers can afford too.

National attention now focused on ANSEP

- Continued from page 1

The program boasts a 70 percent retention rate for Native students in difficult academic programs in engineering and science that usually span five years. In contrast, the retention rate for students of all ethnicity in these fields nation-wide is about 50 percent. That accomplishment has attracted the attention of national groups like the National Science Foundation as well as major corporations.

There's no rocket science to the success formula. Students in ANSEP study together (*cultural reinforcement*), have peer-taught study sessions (*role models of older Native students*), and are reached early and challenged in high school to take tough courses by the chance to build and eventually keep a computer. The high school outreach is important (*ANSEP worked with 400 high school students statewide this year*) because it keeps young people motivated to take more challenging course work. This summer ANSEP is even working with middle school Native students from Anchorage high schools, the intention being to expand this statewide next year.

Internships a big draw, and its partly the money!

High school graduates come to Anchorage for summer sessions prior to starting their freshman year they have opportunities at paid internships with major employers in their fields. A chance to earn money is an important motivator, but what's more important is that this puts these young people working side-by-side with professionals and gaining understanding of the relevance of what they're learning. It also demonstrates the support and recognition of major employers that include private companies in technical fields as well as government agencies.

An important accomplishment for ANSEP this year is that for the first time high school graduates coming to the university that have been under the program's high-school outreach are having to take no university remedial math and science classes. Some have even advanced enough in calculus to gain a whole year in the university's math curriculum. So, for all of us who occasionally get depressed at the problems in our educational system, ANSEP's success is one big upper!

However, one would think the university would be reveling in ANSEP's success and copying its format (the formula is hardly unique). What we hear, surprisingly, is that the university is a bit jealous, and partly because the program didn't evolve from within the system but was inspired by newcomers (i.e. outsiders) and substantially supported by major private companies. This year legislators gave ANSEP its first state money but did so through the Dept. of Education because lawmakers didn't trust the university with any appropriation made through its budget.

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CIRI: Time is tight on Fire Island wind

Bids on construction for Cook Inlet Region Inc.'s Fire Island wind project should be in by now, which will give CIRI the first firm estimate of the project cost. It will be something to take to the utilities for the needed power sales agreement. A Chugach Electric Assoc. board meeting is scheduled for early August on the project.

CIRI is in a bit of a race for time because to qualify for federal stimulus funds available for the project – the figure of \$85 million is tossed around – certain benchmarks in spending must be achieved, with a certain percent this year. The stimulus cash is in lieu of tax credits that would be available anyway, but the cash is obviously preferable because it comes sooner rather than having to wait for the tax credits to be usable.

Fire Island is exempt from Regulatory Commission of Alaska approval by legislation passed this spring as long as power is sold to a regulated utility. The big challenges facing Fire Island are technical issues, that of integrating the variable wind-generated power into the railbelt grid. The challenge, we're told, is for the baseload generation, gas-fired, to be fired up or down efficiently as the wind-generated power varies. This is a challenge facing many wind projects in the U.S. but it is exacerbated here because of the mod-

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- Gas-to-liquids plant Pg. 3
- Alaska wage structure Pg. 4
- The cost of oil delay Pg. 6

Resources Supplement published separately

More minerals acreage acquired near Pebble; Apache Oil to buy BP?

Northern Dynasty Minerals., a partner with Anglo American in the big Pebble mine project, has picked up additional mineralized acreage near the proposed mine. Northern Dynasty paid \$4 million to acquire 23 square miles of state lands northeast of the Pebble project from Liberty Star Uranium and Metals. Liberty Star retains a large land position.

BP and Apache: Alaska's oil patch is agog with BP's large holdings in the state on the table in negotiations with Apache Oil, a major U.S. independent. Many analysis believe the amounts of money being talked of, \$10 billion or so, won't come close to the value of BP's Alaska operations. BP's Alaska reserves are about 5 billion barrels (including gas as oil equivalent).

General Business:

New "railbelt" power group to form

With the failure of the Legislature to act on legislation establishing the state-chartered railbelt power generation and transmission entity, two to three regional utilities, including Chugach, are set to form their own generation and transmission entity to finance new projects. A draft agreement is circulating, we're told, and the deal is expected to be announced in late August or September.

New \$368 million power plant

Chugach, meanwhile, will "break ground" on the new 183-megawatt Southcentral Power Project this summer, meaning site preparation will begin, but construction will actually begin next year when long lead-time equipment arrives. The utility selected SNC-Lavalin Constructors, Inc., which has substantial worldwide experience, as prime contractor. Chugach will own 70 percent of the project, estimated to cost \$368 million, with Anchorage's city-owned Municipal Light and Power owning 30 percent.

Permit snag on Healy Clean Coal?

What's up with the 50 megawatt Healy Clean Coal Project, which has been idle since 1999 due to a commercial dispute between Golden Valley Electric Assoc. and the Alaska Industrial Development and Export Authority, which owns the plant? GVEA and AIDEA have patched things up and have an agreement for GVEA to buy the plant and restart it. What is holding things up is a needed new air quality permit, which is being handled by the state Dept. of Environmental Conservation. We don't know quite what's going on but we do know environmental groups are primed to sue as soon as the permit issues. DEC is obviously worried about the legal issues.

Shakeup at Arctic Slope corporation

In a shakeup, Arctic Slope Regional Corp. replaced its president, Roberta Quintavell with its former board chairman, Rex Rock, and long-time CEO Jacob Adams returned as board chairman. ASRC had \$1.94 billion in revenues in 2009, a 15 percent decline from 2008. Profits were up 8 percent to \$169 million, but cash flow from operating businesses plunged 57 percent to \$110 million. The corporation blamed the drop in cash flow to lower commodity prices and a shutdown of its Valdez refinery due to a fire.

ASRC: \$150 million in oil revenues

Arctic Slope Regional Corp. of Barrow has earned \$150 million a year in oil royalties, on average, over the last five years, according to information ASRC provided the state and included in the governor's assessment of impacts of polar bear habitat (see page 6.) The information is on page 19 of the Econ One study released by the governor. ASRC's oil revenues are subject to the (7i) revenue-sharing provisions of the 1971 Native claims settlement act, so the corporation only gets to keep about a third of those revenues.

ASRC's royalty interest is in certain leases in the Alpine oil field on the Colville River delta. If CD-5 drill site begins production, all of those royalties will go to ASRC.

Fire Island's tight schedule (Cont.)

- Continued from page 1

est size (by national standards) of the Interior-Southcentral "railbelt" grid. Rural Alaska utilities that now have wind supplement also have these problems but they are smaller and use diesel generation as their primary generation. Diesel generators can be cycled up and down efficiently.

Probing alternatives for favorable economics:

State gas corporation asks information on "gas-to-liquids"

A Request for Proposal for a Cook Inlet gas-to-liquids (GTL) economic feasibility study is on the street from the new Alaska Gasline Development Corp., the state corporation formed to continue and complete initial feasibility studies for a "bullet" gas pipeline from the North Slope to South-central Alaska. Deadline for proposals is Aug. 2 with the study to be complete within three months of the contract being awarded. There is no mention of budget in the RFP but the Legislature appropriated \$500,000 for the project.

A gas-to-liquids plant is one of the options for a "major industrial customer" needed to make the proposed "bullet" gas pipeline from the North Slope even remotely feasible. Without major industrial customers to share the pipeline costs just the estimated transportation tariff is well over \$12/million Btus. Prospective industrial customers include a restarted Agrium fertilizer plant and/or an expansion of the natural gas liquefaction (LNG) plant now operating near Kenai. All of these options, including GTL, have their challenges with delivered gas prices exceeding \$5/million Btus.

- *Gas-to-liquids involves the conversion of methane, the main component of natural gas, to liquid for transport, i.e. gasoline and diesel fuels, lube oils or even petrochemical feed-stocks. There are operating GTL plants in South Africa, Malaysia and the Persian Gulf.*

RFP seems to eliminate Kenai by requirement to be near railroad

Basically, the RFP asks for identification of the most likely gas-to-liquids technology that might be feasible in a Cook Inlet location. The project is assumed to be on the tidewater and in a location near the Alaska Railroad and highway infrastructure. *This pretty well narrows the location to Port Mackenzie, on Knik Arm, and would seem to eliminate Kenai, where there is substantial industrial infrastructure that could aid a GTL project.* Anchorage could, in theory, be a location, but given land availability and potential land-use conflicts a major industrial facility would seem unlikely.

Interestingly, the RFP also asks for an analysis of the capacity of mature Cook Inlet oilfields, and costs for carbon dioxide (CO₂) injection, presumably for enhanced oil recovery although this could also be just underground CO₂ storage. It will be interesting to see how the applicants respond to this. There has been a lot of talk about CO₂ use in enhanced oil recovery in Cook Inlet but not a lot of recent analysis.

A Department of Energy assessment done a few years ago focused on the hypothetical potential of the fields to produce more oil with CO₂ injection. However, it included little on the ability of the aged wells, pipelines and reservoirs to handle the CO₂ or the commercial issues, i.e. whether the companies operating the fields are really interested in the use of CO₂ in enhanced oil recovery (Chevron, the major inlet oil producer, says it isn't interested.)

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Business Intelligence

Wages in Southcentral \$3/hour higher than national average

Hourly wage averages in the Anchorage and Matanuska-Susitna Borough areas were \$3/hour higher than the national average in mid-2009, data released recently by the U.S. Bureau of Labor Statistics show. Workers in the two regions earned \$23.91 an hour on average compared with the national average of \$20.90. Construction workers were particularly well paid, averaging \$28.97 an hour compared with an average of \$20.84 on the national level. Educators made higher wages, too, typically \$5 per hour more than the national average. Some occupations paid less, however. "Managers" earned \$8 an hour less than the U.S. average.

State labor economists said the Alaska wage averages are pushed up by the high wages paid in natural resources industries, such as oil and gas. Also, a high proportion of "managers" in Alaska are in the food service and hospitality industries, as supervisors, which are industries that tend to have a lower-wage structure. Interestingly, "managers" make up 7.2 percent of Anchorage workers compared with 4.7 percent of workers on the national level.

SMALL AIR CARRIERS HAVE A BETTER YEAR: Alaska's regional small air carriers say they are having a better summer than last year, although business isn't back to 2008 levels. The carriers in the HoTH group are okay financially, though, officials of the company say. HoTH is a holding company that includes Era Aviation, Frontier Flying Service, Hageland Aviation, and Arctic Circle Air, all of which merged to form HoTH.

FERRY SYSTEM PURCHASES KETCHIKAN INDUSTRIAL SITE: The Alaska Marine Highway System purchased part of the Wards Cove Industrial Park from the Ketchikan borough for a new office building, warehouse and vessel layup area. The borough intends to sell remaining acreage in the park to other commercial and industrial buyers in September, it said. Ketchikan has been working to redevelop the industrial site, which it received after the Ketchikan pulp mill closed years ago. Various efforts at major projects, such as a veneer mill, failed, so the borough reverted to a piecemeal disposal strategy.

Homer will begin engineering and design work for the expansion of its deep water dock this summer. The city has \$2 million in federal funds and \$1 million in state money for the project.

TRUSTEE ASSIGNED TO UNDERPERFORMING RURAL SCHOOL DISTRICT: The state designated a trustee to assist the three-school Yupiit School District in Southwest Alaska. A retired principal from Unalaska has been given authority over the district's instructional program. It's the first time the state has intervened in a local school district's management. If test scores don't improve within a year the trustee will be given authority over the district's budget as well. Yupiit student scored the lowest of Alaska's 50 school districts in standardized tests.

STATE EMPLOYEES, RETIREES OPT FOR PROTECTION AFTER DATA LOSS: About 25,000 present state employees and retirees signed up for a credit protection plan after a state contractor lost data on 77,000 state, local and school district employees and retirees last year. State officials said there has been no identity theft so far due to the loss. The credit protection was offered as a safeguard.

JUNEAU'S AEL&PTO DO PILOT ON ELECTRIC CAR USE: Juneau's electric utility, Alaska Electric Light & Power, will encourage an experiment in electric car use in the state's capital city. Juneau is relatively small and isolated and seemingly ideal for a test. AEL&P is developing a special electric power rate to encourage the concept and test its receptiveness with consumers. The plan is for a special off-peak rate of 5 cents/KwH with a separate meter (the utility would pay the \$500 installation of that) to insure people don't take advantage of the low rate for other uses. The city government would assist the plan with installation of battery charging stations at public garages. Consumers would be asked to track miles driven with the service, and would sign up for five years on the plan. Juneau has ample available hydropower, and the small size of the community means most autos are driven relatively few miles per day.

One concern is a trend toward heating of Juneau buildings with electricity, switching from fuel oil. This could push up demand for electricity and eat into any available hydro surplus.

TWO THIRDS OF ALASKA COLLEGE-BOUND YOUTHS STAY HOME: About two-thirds of Alaska college-bound students are now opting to attend college in the state, a 13 percent gain from 10 years ago, UA officials say. In the mid-1990s only 45 percent of college-bound Alaska students pursued studies at Alaska universities. Economics drove much of this, but improved academic programs at - *Continued from page 5* helped, as did the Universities scholarship offer

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Bradners'

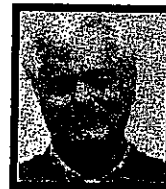
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Petroleum:

USFS low-balled polar bear impacts?

The U.S. Fish and Wildlife Service underestimated losses of oil production royalties and taxes to the state of Alaska and Arctic Slope Regional Corp., an Alaska Native corporation, due to the department's designation of North Slope oil-producing lands as critical habitat for endangered polar bears, state officials charged. Alaska is opposing the designation of North Slope lands as polar bear habitat, arguing that the designation can delay new projects and impair oil revenues to the state and ASRC, which is a royalty-owner in one producing field, Alpine.

The costs to the state and ASRC are real but the designation of the land as critical habitat will offer little added protection for the bears, which are mainly threatened by the loss of sea ice due to climate change. The federal wildlife service estimated the total adverse impact on Alaska of the designation at \$669,000 over 29 years, but the real losses could amount to hundreds of millions of dollars, Parnell said.

The state and ASRC released an analysis illustrating the effects of delays in development of a small field and a large field due to complications and delays in permitting due to the critical habitat designation of 187,166 square miles of North Slope coastal lands.

A one-year delay of a small field would cost the state and ASRC \$202.8 million in reduced Net Present Value and \$915.6 million if the field were delayed five years. While the field would eventually produce just as much oil, the loss is the adverse effect of the delay in receiving revenues. A hypothetical large field being delayed one year would cost the state and ASRC \$577.8 million, while a five-year delay would result in a \$2.562 billion loss. The estimates were prepared by Econ One Research of Los Angeles, an eco-

What's the cost of delay? (Cont.)

nomics consulting firm under contract to the state and ASRC. About half of the lands with currently producing oil on the North Slope are covered by the critical habitat designation. The analysis assumes a small field producing 25.08 million barrels in its peak year and a large field producing 45.4 million barrels in its peak year.

BP delays Liberty, but said still a "go"

BP said it would delay the start of drilling on its Liberty project until early 2011 to give regulators more time to review plans for the long extended-reach wells planned for the project. Drilling had been expected to begin in late 2010. BP said the project is still moving ahead, however. Environmental groups are campaigning for federal agencies to halt Liberty. Alaska Sen. Mark Begich defended BP's plan at Liberty, saying it was significantly different than the gulf well. Liberty, five miles offshore in the Beaufort Sea, has about 100 million barrels of proven reserves and would produce about 40,000 barrels per day at peak.

Alyeska's CEO to retire in September

Kevin Hostler, president of Alyeska Pipeline Service Co., announced that he would retire by Sept. 30. Hostler had previously said he would retire this year, but national media, in a frenzy over the Gulf of Mexico drilling accidents, linked Hostler's retirements to maintenance and operational issues on the pipeline including complaints by employees over being transferred from Fairbanks to Anchorage. State regulators say they have no concerns with Alyeska's operations except for the expected glitches as the pipeline continues a transition in control systems and locations.

Oil and gas employment was down about 1,000 jobs in April compared to the same month of 2009, state labor department shows.

Timber/fisheries:

Appeals court okays Logjam sale

The Ninth Circuit Court of Appeals upheld an Alaska U.S. District Court's rejection of an injunction stopping the Logjam timber harvest in Tongass National Forest in Southeast Alaska. This, plus an existing sale, is expected to supply enough wood for Viking Lumber Co. mill in Klawock for 2010 and 2011.

Coastal Villages hikes pay to villagers

Coastal Village Seafoods announced it will pay village fishermen in Southwest Alaska \$1.75 for king salmon over 10 lbs., \$1.05/pound for sock-eye salmon and 25 cents/pound for chum salmon. These are some of the highest prices in years paid to harvesters. The company, a Community Development Quota group, says salmon markets are good, that it is benefitting from a quality control program and that it is doing its own direct marketing. Coastal Village operates a high-volume processing plant at Platinum, processing 3.9 million pounds of salmon last year. The company works with 500 fishermen in the region.

Bethel-region fishermen harvested 300,000 chum salmon in the first opener of July, putting \$250,000 into the local economy.

Minerals:

Usibelli seeks gas to fuel coal mine

The state is close to approval for a natural gas exploration license for Usibelli Coal Mine Inc. in an area around Healy, where the company operates the state's only coal mine. The license will give the company rights to explore for conventional and unconventional gas, which includes coal-bed methane, or methane that could be produced from coal seams. The license area covers 208,630 acres. Usibelli is basically interested in finding gas to supply energy for the mine.

Energy:

Energy authority seeks new proposals

The Alaska Energy Authority will begin accepting applications for "Round 4" of the state renewable energy program grants on July 21, with all submissions required to be in by Sept. 15. The Legislature has approved 129 projects for Rounds 1, 2 and 3 of the program, with total funds to be committed at \$150 million. For the first \$125 million committed in Rounds 1 and 2, the energy authority has 97 grants awarded. For \$25 million in Round 3 the authority expects to have grants awarded this month. The grants are on a cost-reimbursement basis, so funds are dispersed as work proceeds on the projects.

Rural power plant/ bulk fuel upgrades

Here's the status of two other rural energy projects: Forty two rural communities have seen upgrades of power systems between 2000 and 2009. Ten additional communities have upgrades underway this year. Seven additional communities are in conceptual or final design stage.

On the AEA/Denali Commission bulk fuel upgrade program, about three to four communities have projects underway each year. As of last December 89 communities have seen tank upgrade projects. For rural communities, a looming problem is how to fund needed upgrades of sewer and water systems installed in the 1970s and 1980s and now approaching the time when replacements are needed. This could amount to several hundred million dollars, we're told.

Construction employment rose in April compared with the same month of 2009, state labor data showed. Building jobs totalled 14,700 in April compared with 14,400 for April, 2009. In other industries, air transportation employment dipped 200 jobs in April compared to April, 2009. Trucking was down 100 jobs.

Business Intelligence (Cont.)

- Continued from page 5

to the top 10 percent of high school graduates (inclusive of tiny village high schools, "save" high schools, and even schools in Alaska juvenile detainment facilities. Attendance of Native Alaska students also increased, driven by combinations student of aid, including from Native Corporations scholarship programs. A primary drive has been growth in health related programs. Last fall 2,400 new students enrolled in health programs, a 13 percent increase from 2005, the university says.

The Alaska Dept. of Revenue awarded a \$2 million consulting contract on oil and gas taxes to Gaffney, Cline & Assoc. One other firm, Econ One Research, submitted a competing bid.

A \$5.2 MILLION STIMULUS GRANT FOR TELECOM SERVICE TO 60 PEOPLE: The Copper Valley Telephone Assoc. will receive a \$5.2 million federal grant to extend wireless coverage in McCarthy, the host community inside Mt. St. Elias National Park East of Glennallen.

ANOTHER NPR-A LEASE SALE IS PLANNED FOR AUGUST: The U.S. Bureau of Land Management will hold a lease sale in the northeast National Petroleum Reserve Alaska Aug. 11. Offered will be 190 tracts (2,800 square miles). Some tracts are withdrawn to protect sensitive habitat. Modest bidding is expected modest due to lack of success in exploration so far, and due to the ongoing problems ConocoPhillips and Anadarko are having getting a federal permit for a bridge across the Colville River. The bridge would allow development of CD-5, the first NPR-A oil to be commercially produced, and would encourage development of small discoveries to the west.

Cost of a carbon dioxide injection system in Inlet could be \$1 billion

- Continued from page 3

The 2008 completed pre-feasibility study for a large-scale coal to liquids project for the Beluga area indicated that other options such as process conversions or using biomass to gain carbon credits may be a better way to go with respect to produced CO₂.

A realistic preliminary look at prospects for EOR with carbon dioxide would cost more than the \$500,000 available, possibly \$1 million/\$2 million, because a detailed look at wells, platforms and reservoirs is needed.

Many older producing wells might not be able to handle the CO₂, which can be corrosive. New wells and facilities on the platforms as well as new pipelines may also be required. The cost top \$1 billion. Another option is CO₂ injection/storage in an underground depleted reservoir, if a suitable one can be found. Cook Inlet Region Inc. (CIRI) is also looking for ways to dispose of CO₂ from its planned underground coal gasification project in the deep Beluga coal fields.

Perhaps there could be a realistic synergy between CIRI's injection project and a gas-to-liquids plant ???



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Homer Comprehensive Economic Development Strategy

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INTRODUCTION

What Is Economic Development?

This Comprehensive Economic Development Strategy (CEDS) reflects a fairly broad view of economic development, which in turn reflects many of the comments made by members of the public in the development of this plan.

The following definition is taken from *An Economic Development Toolbox: Strategies and Methods* and is presented here as a useful definition for our purposes:¹

Economic development is the process of improving a community's well-being through job creation, business growth, and income growth, as well as through improvements to the wider social and natural environment that strengthen the economy.

Use of the word “economy” in the definition above necessitates a definition of that word as well. The following is provided as a simple, straight-forward definition of “economy”:

An economy (or “the economy”) is a social system that includes the production, exchange, distribution, and consumption of goods and services of a given area.

A discussion of economic development would not be complete without exploring the concepts of **basic vs. non-basic sectors**. These terms relate to the fact that no economy is self-sufficient. All economies have to buy goods and services that aren't produced locally. If that loss isn't offset by new money flowing in, the local economy will collapse. **Basic sectors** and industries are those which bring new money into the local economy. Examples in Alaska include oil and gas, seafood, minerals, and timber (export commodities) as well as tourism and air cargo (services). Scott Goldsmith of the University of Alaska Institute for Social and Economic Research provides another example of a basic economic sector: “Money also arrives via the mailboxes of retirees, who collect Social Security, federal retirement benefits, and pensions. Other Alaskans collect earnings from investments outside the state. The federal government doesn't produce commodities or services for sale in the market, but it's a basic sector because all federal money coming into Alaska is new money.”²

Authors of *An Economic Development Toolbox* point out that “in most cases, the retail sector is not a basic one because it primarily serves local residents and therefore exchanges dollars within the community rather than bringing in new dollars. The exceptions are in tourist-serving communities, and in cases of import substitution.”³

Non-basic sectors depend on money generated by the basic sectors, but they are also vital to the economy because they circulate money. As the money circulates, it generates additional jobs and income. This is known

¹ Terry Moore, S. Meck, and J. Ebenhoh, *An Economic Development Toolbox: Strategies and Methods*. American Planning Association, October 2006, p. 5.

² Scott Goldsmith, “What Drives the Alaska Economy?” UA Research Summary No. 13, Institute of Social and Economic Research, University of Alaska Anchorage, December 2008.

³ Terry Moore, S. Meck, and J. Ebenhoh, *An Economic Development Toolbox: Strategies and Methods*. American Planning Association, October 2006, p. 14.

as the **multiplier effect**. The larger the non-basic sectors are, the more times the money turns over in the economy and the bigger the multiplier effect.

A Vision for Economic Development in Homer

The following vision statement is taken directly from the Homer Comprehensive Plan, adopted by the Homer City Council in April 2010 following three years of public input, including input from the Economic Development Commission (EDC):

Homer's economic industries including marine trades, commercial fishing, tourism, education, arts and culture remain strong and show continued growth. Quality of life is preserved as Homer benefits from the creation of more year-round living wage jobs.

It should be noted that the list of economic sectors in the vision statement is not meant to be all-inclusive. This plan will look beyond the five sectors listed to present a broader picture of the present and future economic growth in Homer.

Nexus of the CEDS with Other Plans

As seen above in the vision statement, this plan is intended to be consistent with other plans already approved by the Homer City Council. Most significantly, it reflects goals and objectives found in Chapter 8 ("Economic Vitality") of the Homer Comprehensive Plan. Other plans that are relevant to the CEDS include the Homer Spit Comprehensive Plan, Town Center Development Plan, Transportation Plan, Non-Motorized Transportation and Trail Plan, Water and Sewer Master Plan, and Climate Action Plan.

This CEDS is technically an update of the City of Homer Overall Economic Development Plan (OEDP) last updated in 1999. The OEDP served as an important resource in the development of the CEDS. By way of explanation, the name was changed from "Overall Economic Development Plan" to "Comprehensive Economic Development Strategy" to reflect the recommendations and terminology used by the U.S. Economic Development Administration for local economic development planning.

Public Participation in this Planning Effort

The process of incorporating public input in the development of this plan was greatly assisted by the efforts of Carol Bevis, who joined the project as a VISTA (Volunteers in Service to America) in April 2009 and worked full-time for a year, producing a CEDS scoping document before she left. Carol reviewed economic literature as well as previous local plans and surveys, conducted 21 interviews with local citizens from diverse backgrounds, and helped compile the results of 99 interviews that were part of the Southern Kenai Peninsula Communities Project. In addition, Carol organized and facilitated two public forums on behalf of the City of Homer Economic Development Commission and the Chamber of Commerce Economic Development Committee, with the goal of brainstorming ideas and identifying priorities. A diverse group of citizens participated (35 at each meeting) and others contributed their thoughts and ideas via email. Additional public input was received at City of Homer EDC regular meetings and work sessions.

Homer History and Demographics

The following timeline is not intended to provide a complete history of Homer but rather to describe a few events which serve to illustrate Homer's development and character as it has evolved over time. (The timeline is adapted from one originally published in the 2004 City of Homer Annual Report. Sources include local historians Janet Klein and Dave Brann and the Alaska Department of Fish and Game.)

- 6000 BC Native people inhabit the Kachemak Bay area then and now.
- 1896 Con man Homer Pennock promotes gold mining in the Homer area, but coal mining is much more successful.
- 1902 Homer is virtually abandoned between 1902 and 1915 due to lack of coal markets.
- 1915 Charlie Miller winters 95 horses at his homestead (Miller's Landing) for the Alaska Railroad.
- 1917 Delphina Woodard develops a dairy farm in what is now downtown Homer.
- 1919 First school opens at Miller's Landing.
- 1920 46 people reside in the census area designated as "Homer Spit and Vicinity."
- 1925 A rudimentary telephone system is established.
- 1930-40 Commercial and civic activity increases significantly. By 1938, Homer has an airplane runway, several general stores, two restaurants, and a new dock built by the Homer Civic League. Supply ships now bypass Seldovia to deliver goods directly to Homer. Homer's population in 1940 is pegged at 325.
- 1941-42 Alaska Road Commission creates Beluga Lake by damming the slough.
- 1945 Homer Electric Association is incorporated.
- 1946-47 The coldest winter in history is recorded for North America. Much of inner Kachemak Bay freezes over.
- 1948-51 Construction of the Sterling Highway puts Homer on the road system and fuels growth.
- 1950 Homer's population is 307.
- 1955 South Peninsula Hospital opens.
- 1960 The population of Homer, at 1,247, exceeds that of Seldovia for the first time.
- 1964 The Good Friday earthquake causes much of Homer to subside 2-8 feet, with serious damage to the harbor. Homer incorporates as a city on March 31. The damaged harbor is rebuilt with federal funds.
- 1969 Classes are offered for the first time at the Kachemak Bay Campus of UAA-KPC.
- 1971 Kachemak Bay State Park is created, contributing to the growth of tourism in Homer.
- 1976 The state of Alaska sells several oil leases in Kachemak Bay. After the jack-up oil rig *George Ferris* gets stuck in the mud, public outcry persuades the state to buy back the leases.
- 1980 Homer's population is 2,209.

1985 Homer gets its first fast-food chain restaurant (McDonalds).

1986 The Homer "Bypass" is built.

1989 Homer fishermen and others are impacted by the Exxon Valdez oil spill.

1990 Homer's population is 3,660.

1998 Iccicle Seafoods—Homer's only fish-processing plant and the town's largest seasonal employer—burns to the ground.

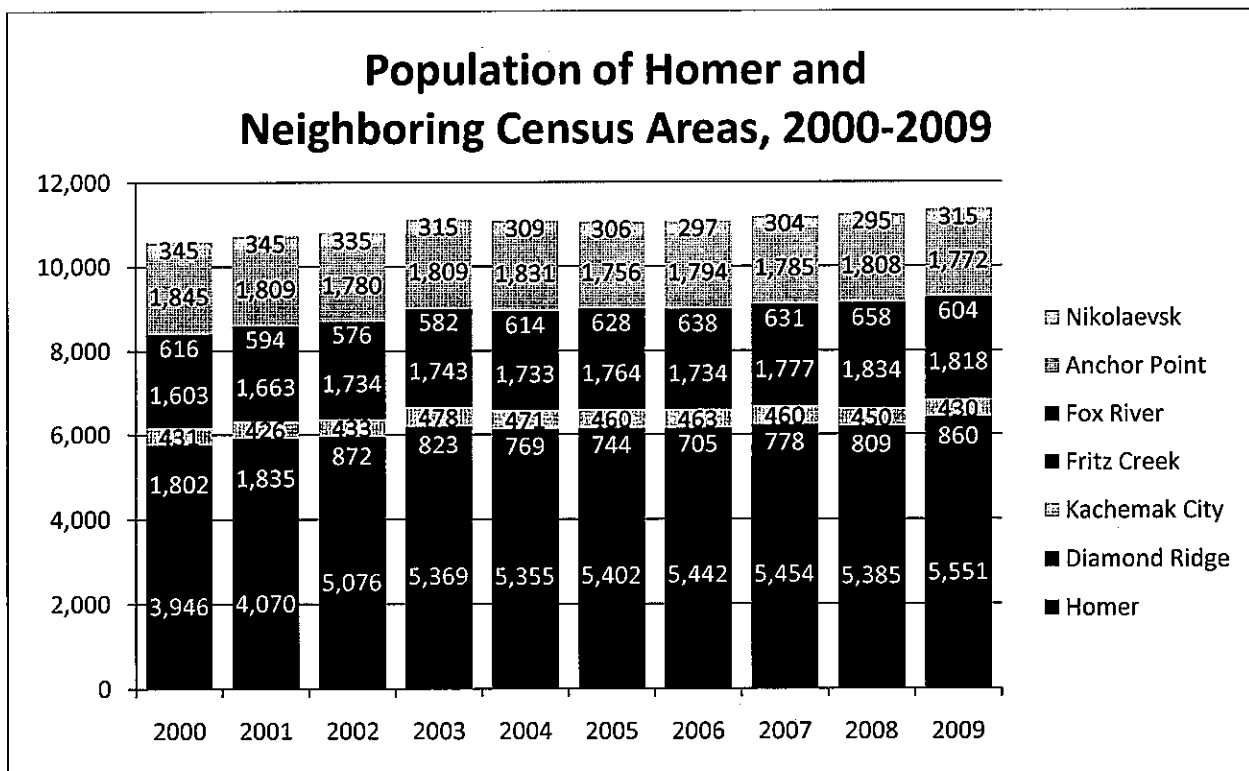
2000 Homer's population is 3,946.

2002 Homer annexes 4.6 square miles.

2009 Homer's population is estimated at 5,551 (Alaska Dept. of Labor).

Because detailed U.S. Census data for the year 2010 is being compiled as this report is being written, we will leave it for the next update of the CEDS to include the latest demographic information about age, education, employment, and economic characteristics of Homer residents and note significant changes or trends.

The chart below illustrates Homer's population (2000-2009) in relation to the greater Homer area. In general, it is safe to say that the greater community population is at least twice the population of Homer within city limits. Many of those who reside outside city limits commute to Homer for work. Most rely on Homer outlets for groceries and other goods and services.



Notes regarding population chart: Homer annexed part of Diamond Ridge and all of Miller's Landing in April 2002. (Miller's Landing is not shown in this graph. It had a population of 70 before annexation.) Year 2000 population is from the 2000 U.S. Census. Population figures for 2001-2008 are estimates provided by the Alaska Dept. of Labor and Workforce Development.

Data collected by the Kenai Peninsula Borough shows that in 2008, the top ten employers in Homer were:

- Kenai Peninsula Borough Schools
- South Peninsula Hospital
- Safeway
- South Peninsula Behavioral Health Services
- City of Homer
- State of Alaska (not including the University of Alaska)
- Land's End Resort
- Homer Senior Citizens
- Homer Electric Association
- University of Alaska

Only two of the above employers are private corporations. However, Homer is known for its many small, locally-owned businesses that together employ many local residents and help create a diversified economy. A 2004 article in *Alaska Economic Trends*, published by the Alaska Department of Labor, noted that “entrepreneurship is a key element in Homer’s economic equation” and that Homer has the highest percentage of self-employed workers on the Kenai Peninsula as documented in the 2000 Census.⁴

More information on specific sectors of the Homer economy can be found in other sections of this plan.

⁴ *Alaska Economic Trends*, Alaska Department of Labor and Workforce Development, November 2004, p. 14.

The Role of Government Policies and Programs in Local Economic Development

Even though government cannot affect all the factors important to economic development, it can have a significant impact through both its traditional role as public service provider and regulator, and its entrepreneurial role as a deal-maker and business recruiter. Of these two roles, the former is essential—government must provide quality basic services and an efficient regulatory environment if it wishes to create economic development. Providing further incentives to businesses is optional—whether it makes sense depends on what government can reasonably offer, the extent to which such offerings are necessary to attract firms, and the cost of those offerings.

Public policy can affect factors that are important to businesses, primarily through regulation, taxes, and incentives.

- **Regulation**—Regulations protect the health and safety of a community and help maintain the quality of life. However, simplified bureaucracies and straightforward regulations can help firms react quickly in a competitive marketplace. Predictability is usually more appreciated by business than a lax regulatory system.
- **Taxes**—Firms tend to seek locations where they can optimize their after-tax profits. But tax rates are not a primary location factor; they usually matter only after corporations have made decisions on labor, transportation, raw material, and capital costs.
- **Financial incentives**—Governments sometimes offer incentives to businesses to encourage growth. Generally economic research has shown that most types of incentives have had little significant effect on firm locations between regions.

To evaluate the comparative advantages a local economy has with respect to government policies and incentives, consider whether government is using the tools above to create a climate for business that is welcoming and supportive but which is also financially and environmentally sustainable. A city with low taxes and an array of financial incentives does not necessarily have an advantage over a city with higher taxes and no financial incentives if it does not provide the infrastructure and services businesses need to thrive.

—from *An Economic Development Toolbox: Strategies and Methods*, pages 8 and 30.

THE BIGGER PICTURE: FACTORS THAT INFLUENCE OVERALL ECONOMIC DEVELOPMENT

In any community, there are certain factors that can either inhibit or encourage economic development. Some of them are reflected in the kinds of questions people ask when they think about moving to a new town: Does it have good schools? Is it attractive? Is it affordable? Will my family feel safe there? Business owners have additional questions: Is there property available in a good location? Can I find skilled workers?

Few would argue that one of Homer's greatest assets is its spectacular natural setting. We all know people who tell the story of driving over Baycrest Hill from the north and falling in love with the view—and that this is what made them decide to stay. After that, other factors either contributed to or detracted from their initial excitement.

The mountains and bay aren't going away, and for this we can be grateful. This section will explore some of the other "bigger picture" factors over which we, as a community, have more control.

Local Government Policies and Services

Government policies and programs will be addressed throughout this plan, with specific recommendations to support specific activities. This section will look more broadly at three key areas: Land use policies, infrastructure/services, and taxes.

- A. Land use policies and other regulations should serve the overall public interest without unduly restricting development. Chapter 4 of the Homer Comprehensive Plan provides detailed recommendations on land use which are aimed at finding the right balance between protecting community aesthetics and property values, on the one hand, while providing options and opportunities for both residential housing and business development.
 - 1. The City should aim for fairness, consistency, and predictability in its land use policies (including lease policies) and regulations.
 - a. Speedy processing of permit and lease applications should be emphasized while ensuring that all reasonable conditions are met.
 - b. City employees involved in permitting should project a "How can we help you?" attitude to those navigating the permit process.
 - c. Existing policies and practices should be examined and possibly revised at least every five years with these goals in mind.
 - 2. The increased emphasis on careful mixed-use development in the Comprehensive Plan highlights a welcome trend in land use policies. This trend should be embraced to allow greater latitude in land use, reduce the need to drive, and contribute to a more vibrant community. At the same time, concerns of landowners about aesthetics, noise, and safety need to be taken into consideration.
- B. Government-provided infrastructure and services must be maintained to support and encourage private sector development. In Homer, local government builds and maintains roads, trails, sidewalks, and public parks; maintains and operates the port and harbor facilities; provides clean piped water to homes and businesses; and provides wastewater treatment services. In addition, the City provides police and fire protection, other emergency response services, public library services, an animal shelter, and limited

recreation programs. The importance of these basic services to the overall economic health of the community should not be underestimated or taken for granted.

1. The City should leverage as much assistance as possible; e.g., through grant applications, requests for legislative appropriations, and public/private partnerships; to maximize investment in infrastructure at the lowest cost to local residents.
2. Maintenance of infrastructure should be a priority to protect the public investment and project a positive image of Homer.
3. The City should recognize that many so-called “amenities” are actually vital characteristics of a community that hopes to attract and retain business owners and workers. *See section below on Quality of Life factors.*

C. Tax rates should be kept as low as possible while still covering the costs of services that meet basic needs and enhance economic development. As noted above, government expenditures are important for creating the kind of community that attracts potential business owners (and workers and retirees); but at the same time, government spending must be kept in check to prevent high taxes from discouraging those same people from living here.

1. Property tax rates should be adjusted downward as property values increase. The City of Homer has done this in the past and should continue to do so if assessed values continue to rise.
2. Financial incentives for businesses should be viewed skeptically, in light of research that shows this is generally not an important factor in business location decisions and because it means that money used to provide the incentive is not available for other purposes or must be made up with increased taxes elsewhere.

We baby boomers in America and Western Europe were raised to believe there really was a Tooth Fairy, whose magic would allow conservatives to cut taxes without cutting services and liberals to expand services without raising taxes.

—Thomas Friedman

Quality of Life Factors

The term “quality of life” lacks a precise definition, but when used to describe a town or community, the term typically includes factors such as those listed in the left column below, as compared to the right column.

Desirable Qualities	Undesirable Attributes
Visual impact is pleasing, creating impression of “a nice town.” (For example: Houses and businesses are well-maintained; streets and sidewalks are in good repair; attention is given to landscaping and public art; parks, greenways, and flower gardens are evident.)	Town looks run-down, trashy, uncared-for.
The city has a lively arts and culture scene (e.g., live music and stage productions; one or more movie theaters; a variety of art galleries; one or more museums and library; wide range of offerings for different tastes; opportunities to get involved with local art/music/writing groups or classes).	Very limited opportunities to enjoy art, music, drama or similar activities.

Educational opportunities exist for all ages. Town has a reputation for good public schools and options for private and/or charter public schools. Area includes one or more local colleges and/or trade schools.	Town has a reputation for problem schools, delinquency, high teacher turnover, etc. Little or no opportunity for non-traditional or post-secondary education.
Town is “easy to get around in,” including being bicycle and pedestrian-friendly. Larger towns have good public transportation system.	Town is plagued by traffic congestion/sprawl. Streets lack sidewalks or bike lanes. Walking is unpleasant and biking feels unsafe.
Diverse recreational/fitness opportunities abound for all ages, year-round.	Recreational opportunities are limited, especially those with outdoor/physical fitness benefits.
The community has one or more hospitals and an array of health care services.	No local hospital and limited health services.
Opportunities for shopping and dining out are enjoyed by residents and visitors alike.	Stores and eating establishments are boring and lack both quality and variety.
Festivals and events create a sense of fun and community spirit.	Not much ever happens that’s fun. Little or no sense of community pride.
Town has an appealing, vibrant, well-defined downtown district.	Downtown is either dilapidated or essentially non-existent.

The above examples should make it obvious that no single entity—government, business, or non-profit—can create “quality of life.” In many ways quality of life characteristics are synergistic, with different aspects working together to enhance each other and attract further positive development.

Rather than offer specific recommendations to enhance quality of life in Homer, this plan will simply note the importance of these attributes for promoting economic development and urge City Council members, business owners, and private citizens to work together to protect and enhance the qualities that make Homer an appealing place to live.

Affordable housing

Cost-of-living in general will influence economic development, particularly for those who are not wealthy. Nowhere is this more important than in the housing sector. The Urban Land Institute describes the problem this way:

Housing that is affordable to workers and close to their jobs is essential to the proper functioning of the local economy. Housing costs are one of the determining factors in workers’ relocation decisions—and as housing affordability declines, it becomes more difficult to recruit and retain employees. In the tight labor market that results, employers must offer higher salaries in order to attract and retain employees, which increases the cost of doing business. A high cost of doing business, in turn, makes an area less desirable to employers.

—*Developing Housing for the Workforce: A Toolkit*, Urban Land Institute, 2007, p. 12

Lack of affordable housing is a problem that plagues many resort towns. In Homer, where second-home buyers and wealthy retirees have helped drive up the cost of real estate, less wealthy workers commute from as far away as Ninilchik. For many of them, the main reason they settled so far from town is because that's where they found affordable property. Now with gasoline prices rising, these families are feeling financially stressed in ways they didn't foresee.

Kenai Peninsula Housing Initiatives, a not-for-profit Community Housing Development Organization, manages three housing developments in Homer (18 units), with plans for at least 15 additional units for low income/special needs residents. In a 2004 study commissioned by KPHI, these characteristics were noted in regard to affordable housing in Homer:

- A limited number of 1-2 bedroom affordable apartments (100% occupied) and no affordable 3-4 bedroom apartments.
- A limited number of 3-bedroom market-rate apartments (100% occupied) and no 4-bedroom market-rate apartments.
- Market rates in Homer are higher than the rest of the KPB and often do not include utility costs.
- Vacancy rates are typically low.

The Homer Comprehensive Plan (Chapter 4—Land Use, Goal 5, Objective A) notes the growing problem of affordable housing in Homer and offers several strategies to address the problem. The handbook *Developing Housing for the Workforce: A Toolkit* describes a more focused, comprehensive approach, as outlined below:

CREATING A WORKFORCE HOUSING STRATEGY

1. Inventory the current housing supply
2. Inventory public lands and structures
3. Inventory privately held vacant and abandoned properties
4. Assess workforce housing needs
5. Assess current workforce housing programs and policies
6. Assess the barriers to workforce housing production
 - A. Community opposition
 - B. Regulatory barriers
7. Set workforce housing production goals
8. Build a workforce housing coalition
9. Organize for action
10. Identify viable workforce housing tools
11. Create a flexible, multifaceted housing strategy
 - A. Land acquisition and assembly

A local jurisdiction with a high level of amenity and other quality-of-life factors (e.g., good schools, a clean environment, affordable and appropriate housing, and a diverse and exciting culture) attracts people simply because it is a nice place to be. In particular, it attracts skilled workers, decreasing labor costs for businesses.

—An Economic Development Toolbox, APA, p. 8

B. Planning and regulatory approaches

C. Financing programs

D. Maintaining long-term affordability

12. Assess what is working, and revise what is not

If the City of Homer and others concerned about affordable housing (including student housing) in this community hope to prevent an existing problem from getting much worse, it would be wise to begin working together now to assess the problem and identify and implement solutions.

Home heating/hot water costs are another aspect of affordability that is often overlooked. Access to natural gas as well as biomass (e.g., wood heat) and renewable energy sources, along with energy efficiency improvements, can help reduce these costs.

Providing a skilled, educated workforce

For companies and businesses needing to hire skilled workers, lack of workers will be a reason to pass up one community in favor of another. Small towns are at a distinct disadvantage compared to larger cities with one or more universities, other worker-training programs, and a larger pool of prospective workers of all types.

Strategies for addressing the need for skilled workers in Homer include:

- A. Continue to support quality public school programs offered by the Kenai Peninsula Borough School District.
 - 1. Advocate for vocational/technical training programs and basic skills classes as well as college-preparatory curricula.
 - 2. Support efforts to provide students with hands-on learning experiences, including apprenticeship and/or mentoring programs.
- B. Support growth of the UAA-KPC-Kachemak Bay Campus, especially programs that anticipate areas of future job growth and offer classes to provide workers for those jobs.
 - 1. Support efforts to market Homer as a place to go to college.
 - 2. Support KBC goals aimed at consolidating the campus in one location and adding buildings and facilities to allow for growth and attract students.
 - 3. Support the development of student housing for the local college.
 - 4. Support the development of new college programs to meet existing needs and likely areas of future job growth.
- C. Advocate for new vocational/technical training programs and centers in or near Homer.
 - 1. Support Homer as the location for a Maritime Academy.
 - 2. Support other vocational/technical programs; e.g., those that might be offered locally at the college, high school, through the Alaska Vocational/Technical Center, or by private companies.

The more a region is able to attract employers on the basis of highly skilled workers, as well as high quality of life, good value-for-money public services, efficient regulations, and well-supported business clusters, the less pressure for a region to have a “low cost” workforce.

—An Economic Development Toolbox, APA, p. 27

- D. Seek to provide and protect the “quality of life” factors that are known to attract skilled workers. *See previous section on this topic.*

Technical and financial assistance for business owners

Building a successful business is a challenging and financially risky proposition, particularly for someone with limited or no previous experience. Chances of success are greater for those who have access to capital as well as technical assistance in business management.

The Economic Development Committee of the Homer Chamber of Commerce has grappled with both of these issues during many of its meetings in 2009 and 2010. The following recommendations reflect input from the Chamber of Commerce EDC: **(I am still waiting for input. Info below reflects what I’ve heard at meetings.)**

- A. Continue to support the Small Business Development Center housed within the Chamber of Commerce. This

The Value of Small Business Assistance Centers

Small businesses, by definition, do not have as many employees as larger firms, but they are more numerous, so they account for a significant proportion of jobs in a city. Since many large employers are increasingly owned by companies outside a region, small business development is a way of fostering economic benefits that stay within the region. In addition, most large businesses started off as small businesses, so small business development can eventually lead to large local businesses.

Because this strategy focuses on assisting local businesspeople who are likely to have strong ties to the community, the results can be a benefit for the community if the small business hires locally or serves as a role model for other local entrepreneurs. Another advantage is that these programs are usually not as costly as loans, grants, or tax relief.

—*An Economic Development Toolbox*, APA, p. 41.

center, which operates with funding from the U.S. Small Business Administration and the University of Alaska, provides free consulting services and low cost educational programs to entrepreneurs. One-to-one sessions cover areas of management, marketing, sales, finance, accounting and other disciplines required for small business growth, expansion and innovation.

1. Specific needs of the SBDC?
2. ?

B. Develop and implement a new program aimed at helping entrepreneurs identify and secure needed capital. Possible sources of capital would include a new microloan program, local angel investing network, traditional bank

loans, and existing revolving loan programs.

1. Secure funding for an economic development coordinator to develop and manage the program.
 2. ?
- C. Develop and implement a program to provide mentoring and other networking opportunities for local entrepreneurs.
1. Utilize the same economic development coordinator described in B.1 above.
 2. ?

The bigger world

No economy is an island, and events far outside Homer's borders have influenced and will continue to influence economic prosperity here. Business owners in Homer, particularly in the retail/tourist sectors, experienced serious losses as a result of the global recession sparked in 2008 by the growing trend of securitization of real estate mortgages in the United States—something the average American can scarcely understand.

In the mid-1980s, all of Alaska was hit hard by a drastic drop in the price of oil. In a state where a third of all jobs are tied to the petroleum sector,⁵ a large drop in oil prices can be counted on to send shock waves throughout the economy.

Ironically, while rising oil prices are good for the Alaska treasury (because of the royalties collected), they nevertheless hit individual households and businesses hard. Arguably one of the greatest threats to the local economy is the price shocks that will come from declining oil production. Among those who study global oil production, there is a growing consensus that "Peak Oil" is happening now and that production of all liquid fuels, including oil, will drop within 20 years to half what it is today.⁶ With declining production, oil prices will become more volatile and progressively higher when demand increases and supply can't keep up. Instability in oil supply and price has serious potential consequences for virtually all sectors of the global economy, particularly transportation, agriculture, and manufacturing. An example of a local vulnerability can be seen in the following statistic: Alaskan farmers grow only about 2% of the produce consumed in the state. For the rest, we rely on produce driven thousands of miles to supermarkets by way of a supply chain heavily dependent on cheap oil.⁷

Other cities have convened task forces to study community vulnerabilities to peak oil and make recommendations on how to prepare and adapt. It would be beyond the scope of this economic development plan to provide

Peak Oil and Energy Uncertainty: A Changing World

"The days of inexpensive, convenient, abundant energy resources are quickly drawing to a close."

—Donald Fournier and Eileen Westervelt, US Army Corps of Engineers, "Energy Trends and Their Implications," September 2005.

"Oil (and natural gas) are the essential components in the fertilizer on which world agriculture depends; oil makes it possible to transport food to the totally non-self-sufficient megacities of the world. Oil also provides the plastics and chemicals that are the bricks and mortar of contemporary civilization."

—Daniel Yergin, in *The Prize: The Epic Quest for Oil, Money, and Power*.

"One of the issues that we keep running into is, oil is the economy."

—Rowan Wolf, sociology professor and member of the Portland, Oregon Peak Oil Task Force

"Identifying and mitigating community vulnerabilities is probably one of the more important—if often unwritten—expectations we have of our local governments."

—Daniel Lerch, *Post Carbon Cities: Planning for Energy and Climate Uncertainty*, 2007.

⁵ Scott Goldsmith, "What Drives the Alaska Economy?" UA Research Summary No. 13, Institute of Social and Economic Research, University of Alaska Anchorage, December 2008.

⁶ U.S. Department of Energy, "Meeting the World's Demand for Liquid Fuels: A Roundtable Discussion," April 7, 2009.

⁷ Kyra Wagner, *Sustainable Homer*, June 2010.

such a detailed analysis. However, the following recommendations are common-sense approaches to building community self-reliance and resilience in the face of a wide array of threats and uncertainties beyond our direct control:

- A. Appoint a Local Food Commission to recommend and facilitate policies and programs designed to increase local agricultural production and consumption.
- B. Continue to support development of renewable energy sources to help reduce dependence on fossil fuels.
- C. At the same time, work to bring natural gas to Homer as a lower-cost/lower-carbon alternative to fuel oil to meet home and business heating needs. Direct hookups to natural gas will also provide a lower cost alternative to electricity and propane and serve as an important transition energy source.
- D. Support “Smart Growth” principles such as mixed-use development, transportation options, and affordable housing to help reduce the need to drive.
- E. In development decisions, take into account possible future impacts of global greenhouse gas emissions; e.g., sea level rise and ocean acidification (negative impacts) and longer, warmer growing seasons (positive impacts).
- F. Support continued management of Alaska fisheries based on principles of sustainability.
- G. Support programs which help local business owners (as well as homeowners) improve energy efficiency in their buildings and facilities.

ECONOMIC SECTORS

While Homer's economy is often described as "fishing and tourism," it is actually far more complex and diversified than that description would suggest. This is a good thing. Further diversification is desirable as it will help create more year-round jobs and reduce the economic shock that occurs when one particular sector experiences a significant downturn or collapse.

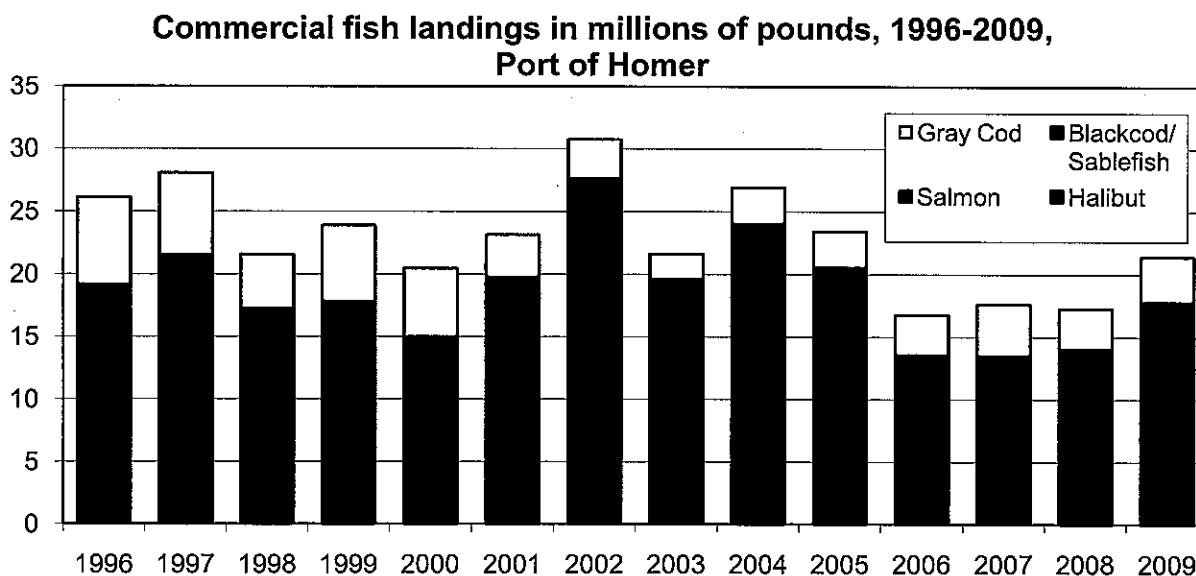
This section of the Comprehensive Economic Development Strategy is not intended to capture all of the current economic activity in Homer. Many successful enterprises do not fit easily into any particular category. Others span multiple sectors.

It should also be noted that some of the economic activity described on the following pages takes place outside city limits but nevertheless contributes to Homer's economic health as a result of money spent on goods and services in addition to wages.

Commercial Fishing and Mariculture

Commercial harvest and processing of fish in the region traditionally includes five species of salmon, halibut, three species of crab, shrimp, clams, scallops, herring, and various groundfish. New markets are presenting themselves in farmed oysters, mussels, seaweed, sea urchin, sea anemone, and various other seafood products.⁸

Homer is the number one port in the world for commercial halibut. The graph below illustrates pounds of halibut, salmon, black cod/sablefish, and gray cod landed at the Homer Fish Dock from 1996 to 2009.



⁸ Kenai Peninsula Borough website, "Our Economy," <http://www.borough.kenai.ak.us/econ01.htm>.

The Homer area has the highest number of local residents in the Kenai Peninsula Borough who depend on commercial fishing as a livelihood. Many fishers participate in multiple fisheries, some of which are far from home. Estimated gross earnings from commercial fishing among Homer permit holders in 2008 were \$68,347,552. A total of 396 Homer fishers utilizing 600 permits landed 90.5 million pounds of fish (including crab) that year.⁹

Eight cranes make it convenient for boats to deliver their catch 24 hours a day to the publicly-owned (municipal) Fish Dock. An ice plant produces and sells high quality flake ice to serve the commercial fishing industry, up to 100 tons per day.

The State of Alaska collects fisheries-related business taxes, landing taxes, salmon marketing taxes, and other seafood taxes from licensed seafood processors, floating processors, and seafood exporters, and shares fisheries taxes generated within incorporated municipalities. Despite Homer's prominence in Alaska's seafood industry, the City of Homer received only \$98,041 in 2009 from fisheries taxes,¹⁰ because most of what happens to raw fish landed in Homer does not meet the definition of "processing." City of Homer Fish Dock operations cost \$810,594 that same year. While fees for services cover these expenses, they do not cover the costs of equipment and facility replacement.



A boat unloads its catch at the Homer Fish Dock.

Mariculture activity in Homer has taken a higher profile with the completion in 2009 of a \$1.5 million facility on the Homer Spit owned and operated by the Kachemak Shellfish Growers Cooperative. The co-op sells oysters to local residents, tourists, and restaurants and also ships them to locations throughout the country. In general, it is felt that the shellfish mariculture industry in Alaska is under-developed and that Alaska's clean, cold, nutrient-rich, protected waters provide the perfect medium for developing jobs in coastal Alaska. Differentiating itself from the other seafood species, the oyster business runs 52 week a year. Shellfish growers in Kachemak Bay and throughout Alaska have proved that shellfish grow well and command the loyalty of state and national markets.¹¹

Economic development related to commercial fishing and mariculture would likely benefit from the following actions:

⁹ Alaska Commercial Fisheries Entry Commission, <http://www.cfec.state.ak.us/gpbycen/2008>.

¹⁰ Alaska Department of Community and Economic Development and City of Homer Port & Harbor Department.

¹¹ Global Food Cooperative, www.globalfoodcollaborative.com/articles/kachemak-bay-oysters-coop-growing-and-seeking-new-partnerships.

- A. The City of Homer should continue its unwritten policy of not taking sides in disputes between commercial and sport fishing interests, recognizing that both are vital to the Homer economy. Instead, the emphasis should be on supporting state/federal regulatory measures that help ensure sustainable fisheries to protect this resource for current and future generations.
 - 1. Stay abreast of information related to fisheries health, including possible impacts of ocean acidification caused by the uptake of excess carbon dioxide from the atmosphere.
 - 2. Unless there are clear reasons to doubt the objectivity or veracity of information from regulatory agencies, support proposals aimed at maintaining healthy populations and sustainable harvest levels.
- B. Seek to provide and maintain the infrastructure at the Port of Homer needed to support and grow the local fishing industry.
 - 1. Seek ways to either redefine “fish processing” at the state level or meet the current definition at the local level to help capture more of the fisheries taxes collected by the Alaska Department of Revenue. These funds could then be used to help build and maintain fisheries-related infrastructure.
 - 2. Continue to seek funding for expansion of the small boat harbor (e.g., construction of the proposed East Boat Harbor) to make room for more commercial fishing vessels.
- C. Encourage development of the local seafood industry beyond traditional products and markets. *(See business ideas in sidebar, next page.)*
- D. Actively market Homer as a center for commercial fishing and quality seafood products.
 - 1. Develop and promote local product identification.
 - 2. Publicize the advantages of doing fisheries-related business in Homer.

General Marine Trades/Port and Harbor Development

Economic clusters are defined as “geographic concentrations of competing, complementary, or interdependent firms and industries that do business with each other and/or have common needs for talent, technology, and infrastructure. The firms included in the cluster may be both competitive and cooperative. They may compete directly with some members of the cluster, purchase inputs from other cluster members, and rely on the services of other cluster firms in the operation of their business.”¹²

Examples of industry clusters include North Carolina's Research Triangle; Hartford, Connecticut's insurance and finance markets; Hollywood's film industry; the carpet industry in Dalton, Georgia; tourism in south Florida; and technology in Silicon Valley, California.

The marine trades in Homer could be thought of as an industry cluster, as could tourism. (The two clusters overlap in the form of the sport fishing, water taxi, and cruise ship industries. These industries will primarily be discussed in the Tourism section of the CEDS.)

Businesses which make up the local marine trades cluster include commercial fishing and processing operations; marine electronics; boat storage, maintenance, and repair; suppliers of fishing equipment (nets, brailer bags, etc.); businesses that provide training in marine operations; and marine transportation services (e.g., tug and barge services, oil tanker escort services, marine fuel services). This list is by no means exhaustive. Many of the

¹² Economic Development Administration, <http://www.eda.gov/Research/ClusterBased.xml>.

small businesses located in the Port & Harbor area play a role in the marine trades. Local operations related to the U.S. Coast Guard, Alaska Marine Highway, National Oceanic and Atmospheric Administration, Kachemak Bay Research Reserve, and Alaska Maritime National Wildlife Refuge will be discussed primarily in the "Government" section of this plan, but the overlap with the marine trades is obvious.

Recommendations to promote growth and vitality of the marine trades in Homer include:

- A. Utilize City of Homer lease policies to help ensure that property needed for marine businesses is available on the Homer Spit at reasonable terms.
- B. Continue to seek funding for capital projects that will benefit the marine trades, such as:
 1. Deep Water Dock expansion
 2. Small boat harbor expansion (East Boat Harbor)
 3. New Port and Harbor building
 4. New/improved restroom facilities
- C. Promote Homer as the site for an Alaska Maritime Academy.
- D. Encourage new businesses that will fill unmet needs within the marine trades cluster. *(See sidebar.)*
- E. Implement recommendations of the Homer Spit Comprehensive Plan that would benefit the marine trades, such as:
 1. Address parking problems
 2. Encourage overslope development - ?
 3. what else?

See also recommendations under "Commercial Fishing/Mariculture" in the previous section.

Commercial Fishing/ Marine Trades Business Ideas

Following are some of the ideas for new marine trades business activity that have surfaced in discussions about local economic development:

- Boat lift to facilitate work on marine vessels
- Hardware store in the vicinity of the harbor to cater to other businesses in the area
- Another seafood processing plant like Icicle (which burned down in 1998)
- Utilize fish waste to make fertilizer or food for aquaculture
- Value-added seafood products; e.g., smoked oysters
- Harvesting and processing of under or non-utilized seafood resources; e.g., octopus, sandfish, sea urchins, seaweed

Tourism

The economic impact of tourism in Homer is unquestionably large but difficult to quantify. Based on business licenses under “Accommodations/Food Service” and “Art, Entertainment, Recreation,” the Alaska Department of Commerce estimates that tourism represented almost 23% of all business activity in Homer in 2008, with over \$28 million in gross sales.¹³ Reported information does not include self-employed individuals who are exempt from reporting requirements.

Homer is somewhat unique among popular coastal communities in Alaska in that the visitor industry is not dominated by cruise ships. While Homer typically sees a few cruise ships each year, it is primarily known for its appeal to independent travelers from around the country (as well as from foreign countries) and also as a destination for other Alaskans; e.g., from Anchorage.



The Homer Spit, with its abundance of small shops, restaurants, charter businesses, and scenic views, is one of the most popular tourist destinations in Alaska.

Encouraging Longer Visits

One economic development strategy is to find ways to encourage visitors to stay in the community longer during their visit, or to visit again in the future... Even staying an hour or two longer in the community may result in visitors eating more meals in local restaurants or spending more money shopping. The City benefits through increased sales tax revenue. To keep Homer an attractive destination requires that the City and private business work in partnership to provide the basic services that visitors and locals expect. These improvements and public expenditures should also benefit local taxpayers.

—Homer Comprehensive Plan, April 2010, p. 8-7, 8-8.

Homer Visitor Center counts have fluctuated from 7,891 in 2001 to 11,215 in 2008 and 8,550 in 2009. The Pratt Museum hosts approximately 35,000 visitors each year from 47 different countries. (Numbers do not include tour groups or school field trips.) The Alaska Department of Commerce estimates that approximately half a million people visit the Kenai Peninsula each year, with at least one-fifth journeying to Homer.

According to the Homer Chamber of Commerce, most visitors to Homer arrive via the Sterling Highway in their own or rented cars and RVs. They are drawn to Homer due to its reputation for spectacular scenery, opportunities for sportfishing and other outdoor recreation, as well as the mix of arts, culture, shopping, and dining experiences.

¹³ Reported in Kenai Peninsula Borough *Situations and Prospects for Year Ending December 1, 2008*, p. 234 and 238.

As mentioned previously, tourism falls in the category of a basic economic sector in that it brings new money into a community or region rather than simply circulating money. Homer businesses that benefit most directly from tourism are lodging (including many B&Bs); shops, galleries, and restaurants; charter fishing operations; and sightseeing/wildlife viewing/water taxi businesses. Wages paid to employees in these businesses in turn help support other businesses in town.

The Homer Comprehensive Plan, Economic Vitality chapter, provides a number of recommendations to strengthen Homer as a tourism destination. Three primary objectives are listed:

- Invest in local infrastructure, parks, and civic improvements that will serve locals as well as visitors by promoting longer stays, increased expenditures per person, and more repeat visitation as a form of economic development.
- Support efforts to improve community attractions, including Town Center, trails, and access to marine activities and the marine environment. Improve links between attractions.
- Increase the net benefits that tourism brings to Homer.

Fifteen separate implementation strategies are suggested to accomplish these objectives. Rather than repeat them here, we encourage readers of this economic development plan to read pages 8-7 through 8-10 of the Homer Comprehensive Plan. The following have been identified as additional or more specific strategies not already listed in the Comprehensive Plan:

??? Add new strategies or stress existing ones in Comp Plan?

Health, Wellness, and Recreation

With a hospital, 20 or so physicians in private practice, at least a dozen dentists, several physical therapists, a large non-profit mental health/ behavioral counseling clinic, other counselors in private practice, numerous alternative health services ranging from chiropractic care to therapeutic massage to acupuncture, a health club and other for-fee exercise facilities, Homer provides a wide range of health and wellness services for residents and visitors. A relatively new addition to the health sector in Homer is the Seldovia Village Tribe Health Center, which provides medical and dental services to both Native and non-Native patients. In addition to these traditional services, other businesses and programs offer opportunities for organized sports, wilderness outings, and other healthy forms of recreation.

The topic of health and wellness is actually much broader than the list in the previous paragraph would suggest. The Southern Kenai Peninsula Communities Project, launched in November 2008 with leadership provided by

Tourism promotion suggestions offered by members of the public:

- Sponsor a quilting show event in the shoulder season
- Produce a restaurant guide – online and printed versions
- Promote Homer as an alternative health/healthy recreation destination
- Market Homer as the “Bear Viewing Capital of the World”
- Advertise in birding magazines
- Provide parking for RVs in downtown Homer with signage to make it easy for drivers to locate the parking

—from emails and public meetings, 2009 and 2010

South Peninsula Hospital, conducted an area-wide health needs assessment that looked at issues ranging from environmental health, access to local foods, a diverse and sustainable small-town economy, and citizen involvement in community affairs.¹⁴ See the SKP Communities Project vision below.

Our Vision for a Healthy SKP Community



¹⁴ Southern Kenai Peninsula Communities Project, Project Summary, December 2009

Due to restrictions intended to protect proprietary information, the State of Alaska no longer releases sales data specific to the “Medical-Social Services” NAICS line-of-business category (and many others). Therefore, it is difficult to gauge the economic impact of this sector. However, no one would question that it is significant. In addition to money spent directly on health and wellness services, access to these services in a community is an important quality of life factor that helps make the area an attractive place to live. Recreational opportunities are another important quality of life consideration.

Some of the recommendations in other sections of this plan, most notably in the Agriculture and Tourism sectors, will also enhance the Health, Wellness, and Recreation sector. Additional recommendations are offered below:

- A. Support efforts to provide modern technology in the health care sector; e.g., at South Peninsula Hospital. Advanced technological services will not only help keep local dollars from leaving the community, they will also help attract new residents. Current needs include:
 1. A new MRI machine.
 2. Bariatric equipment to meet the needs of severely overweight patients.
 3. An enhanced communication system integrated with an improved (federally mandated) electronic record-keeping system.
- B. Support local job training programs in the health care field; e.g., at UAA-KPC-Kachemak Bay Campus.
- C. Seek to attract medical specialists in areas where there is unmet need.
- D. Support growth of services to meet the health care needs of senior citizens; e.g., senior care, chronic illness management, cancer care.
- E. Support necessary steps to comply with the 2010 federal health care reform mandates at the local level.
- F. Publicize Homer’s many health care and wellness options and quality of care; e.g., through a directory of local health and wellness services.
- G. Expand and improve the City of Homer’s Parks and Recreation program.
 1. Complete a community recreation needs assessment.
 2. Investigate successful models from other towns.
 3. Develop a community parks and recreation master plan that describes program elements, staffing needs, and potential funding sources.

Rural health services provide benefits additional to improvements in health outcomes. Because the health sector may contribute significantly to job and income generation, particularly in rural communities, it is imperative that rural communities have quality health services that local decision-makers work to evaluate, maintain, and possibly expand.

—G.A. Doeksen and V. Schott, “Economic importance of the health-care sector in a rural economy,” *Journal of Rural and Remote Health Research, Education, Practice and Policy*, June 2003.

Ideas suggested by local health professionals for possible new businesses in Homer:

- Joint replacement surgery
- Expanded cancer care
- Pediatric care
- Alzheimer’s care
- Substance addiction treatment
- Dermatology practice
- Geriatric specialty practice

4. Seek funding from multiple sources for the Parks and Recreation program.

Education

As in the health care sector, education is a major employer in Homer. A key difference is that most health care providers work in the private sector and most educators and support staff are government employees. *(See Government section of this plan for more discussion about this broad sector.)* A key similarity is the critical role that both health care and education play in the decisions of potential residents and business owners about whether to settle in a community or not. The quality of K-12 education is an important consideration for parents of school-age children (an important demographic group), and the presence of local workforce training programs will help to attract potential employers.

Homer schools within the Kenai Peninsula Borough School District are (in alphabetical order):

Fireweed Academy (K-6 charter school), Homer Flex High School, Homer High School, Homer Middle School, Paul Banks Elementary School, and West Homer Elementary School.

A total of 1,164 students were enrolled in these schools for the 2008-2009 school year, a slight (2.1%) drop from the previous year. (Fireweed Academy, Homer Flex, and Homer High School experienced losses; Homer Middle, Paul Banks, and West Homer experienced gains.)¹⁵

The school district also operates the Connections program to support home-schooling on the Kenai Peninsula. More info needed.

What about Otter Beach? Does it still exist?

Early childhood education is provided through the Birth-2-3 program, a non-profit organization. A federally-funded Head Start program operated by Chugachmiut (an Alaska Native health and social service organization), is headquartered in Homer. The economic value of these programs stems from the fact that a child's readiness for school is a strong indicator of how he or she will fare in life in the long term. One analysis found that every dollar spent on high-quality early childhood programs for disadvantaged children results in \$7 to \$9 in future savings to communities.¹⁶

Kenai Peninsula College's Kachemak Bay Campus serves as the focal point of the University of Alaska's programs and services on the southern Kenai Peninsula. Its value to the community was reflected in the fact that "making Homer more of a college town" and "expanding

While college towns have long been considered recession-resistant, their ability to avoid the depths of the financial crisis shaking the rest of the nation is noteworthy. The ones faring the best right now are not only major education centers; they also are regional health-care hubs that draw people into the city and benefit from a stable, educated, highly skilled work force.

—Kelly Evans, "Why College Towns are Looking Smart,"
Wall Street Journal, March 24, 2009.

¹⁵ Kenai Peninsula Borough School District data reported in Kenai Peninsula Borough *Situations and Prospects for Year Ending December 31, 2008*, p. 38.

¹⁶ Robert Duggar. "Investing in early-childhood programs would yield dividends for Ohio," *Cleveland.com*, June 14, 2009.

vocational education” received the most votes in an economic development public forum held in Homer in spring 2009.

KPC offers two-year Associates of Arts and Associates of Applied Science degrees, as well as courses leading to vocational certificates and industry certification. Some programs leading to baccalaureate degrees can be earned at the Kachemak Bay Campus. A number of other four-year degree programs are available through KBC courses and distance delivery from other University of Alaska campuses. Continuing education and professional development programs are provided that include conferences, summer programs, Elderhostel, workshops, classes, and a visiting writers’ series.¹⁷

A 2007 study prepared for the University of Alaska¹⁸ noted the following economic benefits of Alaska’s university system:

- In FY 2007, for every dollar of State investment, the University created just over three dollars in total economic activity in the state, a total return on investment of 200%.
- The University of Alaska directly employed a peak of 8,000 workers in Alaska in 2006 (37 in Homer).
- In addition to its direct employment, UA indirectly supports approximately 7,100 jobs in the support sector of the Alaska economy.
- The payroll for the Kachemak Bay Campus in FY 2007 was \$900,000.
- An additional \$1.0 million was spent on goods and services in the Homer community.
- Nationally and in Alaska, 25 percent of all jobs require a 4-year degree or higher.
- As of 2006, two-thirds of the UA graduates from the classes of 1989 to 2006 were still living in Alaska.
- National data indicates that a female UA graduate earns nearly \$16,000 more per year than a female high school graduate while a male UA graduate earns almost 18,000 more than his high school educated peers (2006 dollars).

Specific recommendations for enhancing economic development through the education sector in Homer include:

- A. Support early childhood education programs in Homer.
- B. Support adequate funding for Kenai Peninsula School District operations in Homer, with an expansion of vocational-technical education.
- C. Support goals of the Kachemak Bay Campus of UAA-KPC, including consolidation of operations at the East Pioneer campus, expansion of the campus, and provision of student housing.
- D. Support expansion of educational programs to take advantage of emerging economic opportunities and/or to capitalize on Homer’s existing strengths and assets, such as:
 1. Interest in green technology, local agriculture/sustainability, renewable energy, etc.
 2. Proximity to the sea and its resources
 3. Arts and culture

(Some recommendations overlap with those involving the benefits of a skilled, educated workforce. See p. 11.)

¹⁷ <http://www.homer.alaska.edu/about/index.html>

¹⁸ McDowell Group, “The Economic Impact of the University of Alaska, 2007 Update,” February 2008.

Three Broad Sectors:

1. Construction and Manufacturing

The Construction and Manufacturing sectors include traditional building trades (employing architects and engineers, heavy equipment operators, carpenters, plumbers, welders, electricians, etc.) along with light manufacturing enterprises such as Nomar's line of fleece clothing and soft luggage, Alpenglow handmade soaps, and Nomad Shelter yurts (to name a few). Some businesses in the Manufacturing sector overlap with the Marine Trades sector (e.g., boat building) or with the Arts sector (e.g., locally made jewelry, ceramics, and other art gallery items). Stretching the definition of manufacturing further allows us to include locally made beer, wine, and mead.



Nomad Shelter's yurt business is an example of a manufacturing enterprise based in Homer.

Many locally manufactured products are sold to individuals or other businesses outside the city, which makes them part of the basic economy that brings new money into the community.

2. Retail

A great many retail businesses in Homer do not primarily target tourists nor do they fit neatly into other economic sectors already described in this plan. They range in size from "mom and pop" businesses to much larger outlets such as Spenard Builders Supply, Ulmers, and Safeway. Collectively, they employ hundreds of people and form a vital part of the local economy. Retail goods can

be considered part of the basic economy if 1) people from outside the community are buying the products; or 2) locals are buying the products rather than purchasing similar items from sources outside the community (import substitution).

3. Services

Likewise, Homer's service economy is strong and diverse. In addition to some of the service businesses mentioned elsewhere in this plan (e.g., health services) local businesses meet the needs of Homer residents and visitors in areas ranging from bookkeeping to haircutting to legal assistance.

General recommendations for maximizing the benefits of these sectors (1, 2 and 3 above) include:

- A. Encourage enterprises that will provide jobs and other economic benefits without serious negative side effects; e.g., environmental pollution.
- B. Encourage value-added manufacturing to maximize local resources.

- C. Convey a “How can we help you?” attitude to assist prospective business owners and those seeking to expand existing businesses.
 - 1. Utilize zoning to ensure adequate land for different needs and publicize available land zoned for different purposes.
 - 2. Improve the permitting process to clearly communicate requirements and reduce time and frustration for applicants.
 - 3. Publicize resources provided by other organizations that can assist local business owners; e.g., the Small Business Development Center at the Homer Chamber of Commerce.
- D. Assist with efforts to publicize the availability of locally manufactured goods; promote local procurement of goods and services.

High tech/Internet businesses

Many businesses in this sector; for example, Information Technology (IT) support services and website design; can also be classified in the Services sector. Other examples of high tech businesses include modern filmmaking/editing, computer-assisted graphic design/printing, software development, and Geographic Information System (GIS) services used for surveying and mapping.

While most if not all businesses in the 21st century utilize computers, Internet-based businesses comprise a special category, wherein the business owner markets and sells a product or service almost solely via the Internet. Because there is no visible retail outlet or office, these businesses may go largely unnoticed by the community at large, yet bring significant money into the community.

The availability of Internet/email service has also made it possible for some individuals to function as “lone eagles,” or as the Homer Comprehensive Plan puts it, “footloose” entrepreneurs. These are the individuals who could live almost anywhere and conduct business via Internet/email. In other words, their choice of where to live is based to a major extent on quality of life factors such as natural beauty, arts and culture, and recreational opportunities rather than factors such as availability of land, labor, or local markets.

Recommendations for growing these sectors of the Homer economy include:

- A. Support technical upgrades that benefit individuals and businesses who utilize these services extensively; e.g., high speed broadband Internet, improved cell phone service, and wireless connectivity.
- B. Market Homer’s quality of life factors and suitability for high-tech/Internet based operations. Use marketing to counter the image of Homer and Alaska in general as too remote for modern business ventures to succeed.
- C. Support training opportunities for skill development in computer-related fields, including Internet-based commerce.

What Can Homer Do To Attract "Lone Eagle" Entrepreneurs?

Comments submitted by two area residents via email during development of the Comprehensive Economic Development Strategy. Comments have been edited for space.

My husband and I are what you would call "knowledge entrepreneurs." We are a good example of the kind of niche markets that are developing because of the Internet. We have customers from around the globe including Australia, Ireland, Italy, Singapore, Canada, and the U.S.

[In response to the question: Do you feel like Homer is currently providing the infrastructure your business needs?] For the most part, yes. We have printers, office supply, Internet, airport, computer folks and supplies etc. DSL needs to be improved in the outlying areas.

[In response to the question: What could we do to attract more lone eagles?] Keep the town attractive. Where you find the most migration to smaller towns is in those towns that have some sort of appeal. This cannot be overstated. If you travel around Oregon and Washington, or elsewhere, the small towns that are thriving are those that have appealed to people who can choose to live where they want and bring with them either retirement income or a small or home-based business. These towns survived the loss of the resource-focused boom/bust economies and reinvented themselves with what they had left. What these towns have to offer is predominantly natural beauty and access to outdoor activities or a quaint setting (like the coastal towns of Oregon and Washington). Homer has numerous benefits over some of these other small towns. Those assets should be advertised.

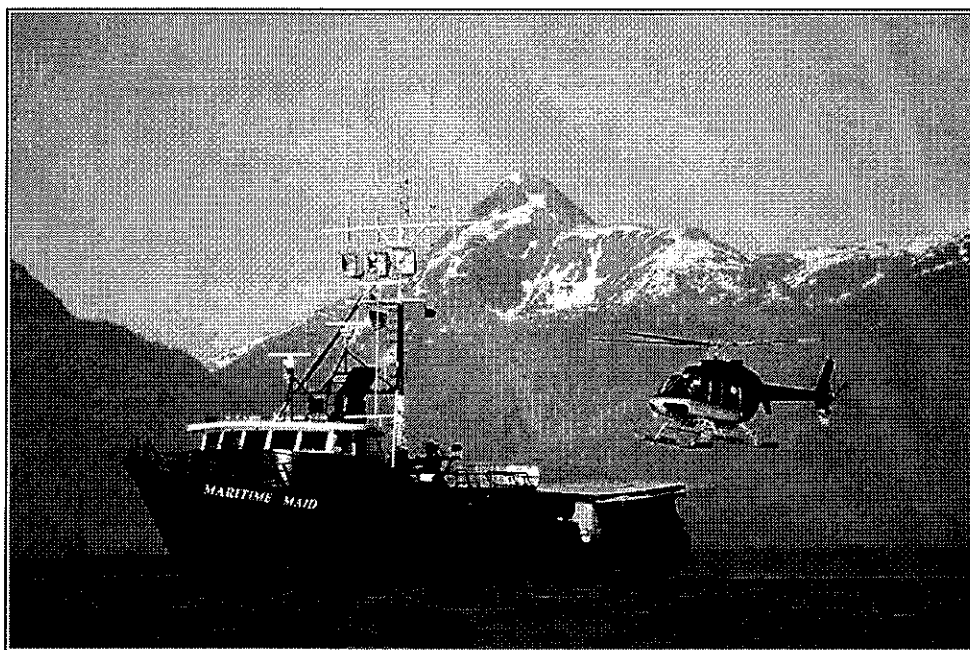
Your suggestion to promote "lone eagles" to live in Homer has merit. It capitalizes on Homer's main strength—quality of life. I was a "lone eagle" prior to my retirement. One type of "lone eagle" is the telecommuter. The list of occupations that this would include is almost endless. The following are areas to promote or improve to facilitate getting "lone eagles" to live in Homer:

- 1) For telecommuters it is necessary to have easy access to the fastest Internet and telecommunications networks available. Currently, Homer has no 3G nor do we have the fastest Internet connections.
- 2) For the old-fashioned commuter, easy, reliable, and affordable access to Anchorage is essential.
- 3) The "lone eagle" promotion should be carried out in state with North Slope workers, fishermen, offshore oil field workers, and miners from Red Dog and the potential Pebble project.
- 4) Homer must avoid putting up a negative image by putting up barriers to people and ideas.

Transportation and Warehousing

The Kenai Peninsula Borough includes the following types of businesses under the heading of Transportation and Warehousing: air transportation, water transportation, truck transportation, transit and ground transportation, pipeline, scenic and sightseeing, support activities, postal service, couriers and messengers, and warehousing and storage. (Guiding by land and guiding by water are classified under Tourism.) In 2008, there were 126 businesses licensed in this sector in Homer, with gross sales of \$19.4 million.¹⁹

Homer benefits economically by having an airport, a float plane lake, a harbor that supports numerous water taxi businesses, and port facilities that include preferential berthing for Alaska Marine Highway vessels. (The Marine Highway can also be classified within the Government sector.) In 2010, Seldovia Village Tribe began offering passenger/light freight ferry service three times a day between Homer and Seldovia, aboard the *Kachemak Voyager*, expanding the options available for getting across the bay.



Maritime Helicopters, based in Homer, has been in business since 1973 supporting marine, petroleum, and construction industries as well as government agencies. In addition to a fleet of helicopters, the company operates the 86-foot vessel *Maritime Maid*, equipped for helicopter operations at sea.

(Photo and information from maritimehelicopters.com)

One of the most significant needs identified in Homer in the transportation sector is to provide containerized cargo handling capability at the Deep Water Dock. It is thought that with this capability, Homer will emerge as a major transportation hub for the Kenai Peninsula. Freight could be landed in Homer and trucked to outlets as far away as Kenai/Soldotna, eliminating the need to truck goods down from Anchorage and thus reducing costs. Dock expansion would also put Homer in a good position to provide staging for barged freight service to the Lake and Peninsula Borough via the Williamsport-Pile Bay Road or other facilities built to meet the needs of future resource development across Cook Inlet. The 30-acre industrial site at the base of the dock would support freight transfer operations.

Recommendations to enhance the transportation sector include:

¹⁹Kenai Peninsula Borough, *Situations and Prospects for Year Ending December 31, 2008*, p. 224.

- A. Improve and expand Homer's Port and Harbor facilities, including expansion of the Deep Water Dock and construction of the proposed East Boat Harbor.
- B. Utilize lease policies to simultaneously benefit the broader community and individual business owners.
- C. Market Homer to attract new transportation-related businesses.
- D. Improve and expand Homer's overall transportation network in keeping with the goals of the Homer Comprehensive Plan, Transportation Plan, and Non-Motorized Transportation and Trails Plan.

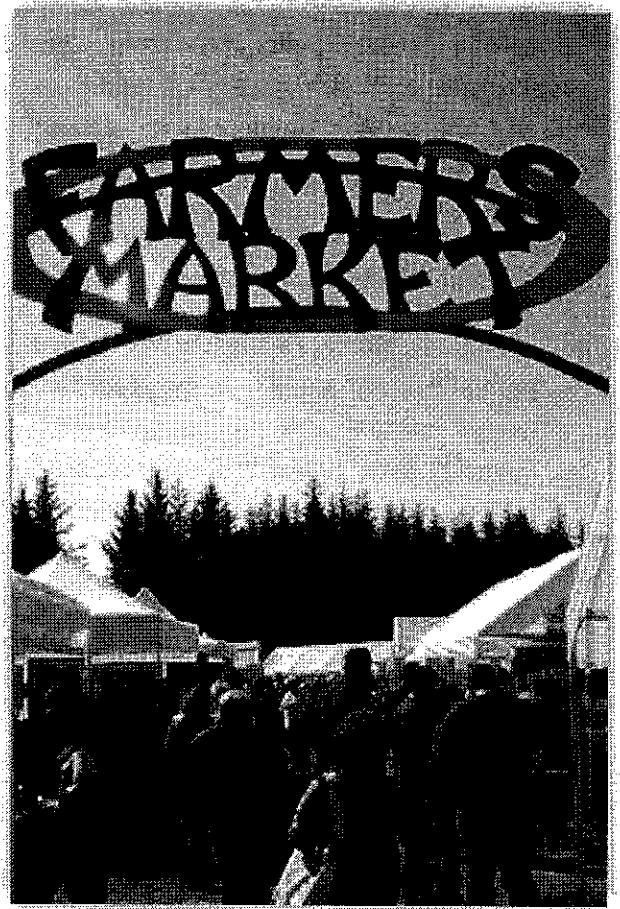
Agriculture

Although agricultural enterprises have been present in the Homer area since Delphina Woodard operated a dairy farm in downtown Homer in 1917, the agricultural sector of the local economy is, at this time, small. However, it is also widely seen as having great potential for growth, given the expected effects of global climate change (warmer temperatures/longer growing seasons), recognition of the need for local self-reliance in the age of dwindling oil supplies, and increasing interest in local/organic food on the part of consumers, including restaurant owners.

Many local growers of produce, livestock, and poultry live outside Homer city limits but contribute to the local economy through sales at local outlets (e.g., the Farmers Market) and by spending money from sales at local stores. Local restaurants also benefit by being able to tout their use of locally-grown produce.

In the Homer area, agricultural goods and produce include many vegetables, limited fruits, grass-fed beef, local eggs, and honey. Value-added products include jams, jellies, and mead made with local honey and berries. Some businesses sell nursery plants, seeds, soil, and compost. Recently, cut flowers, particularly peonies, have become a local economic enterprise, since peonies grow well in this climate and bloom at a time when they are not available elsewhere.

The Homer Farmers Market provides a low-cost venue for many local farmers. In operation seasonally since 2000, the Farmers Market attracts locals and visitors twice a week with booths featuring local handicrafts and prepared foods as well as fresh local produce, seedlings, and other agricultural offerings.



The Homer Farmers Market has become a popular destination in recent years.
(Photo courtesy of Homer Chamber of Commerce)

Farmers Market spokespeople have noted that local agriculture could benefit significantly through efforts to identify markets and connect producers with those markets. The Homer Farmers Market and Sustainable Homer were successful in obtaining a VISTA (Volunteer in Service to America) to assist in meeting this goal. The VISTA is coordinating a 3-year project launched in November 2010.

Farmer and writer Tom Philpott offers one prescription for helping local agriculture entrepreneurs succeed. (*See sidebar.*) Philpott, Michael Pollan, and other nationally known local food advocates have written extensively on the need for reform of agricultural policy at the federal level to assist smaller-scale farmers, reduce food miles traveled, and provide Americans with healthier food.

Recommendations made by Homer-area growers and advocates include the following:

- A. Provide the Homer Farmers Market with a permanent location; e.g., in the proposed Town Center.
- B. Advocate for a USDA-approved meat processing facility on the southern Kenai Peninsula. (Currently, local farmers who wish to sell their chickens, beef, or pork commercially must first take it to Anchorage to get the USDA stamp.)
- C. Support construction of a community cold storage/freezer facility. Investigate use of a sea water heat-exchange loop in the harbor to help reduce electrical usage of the facility.
- D. Support development of a “kitchen incubator” that provides food producers and processors in start-up and growth phases with access to technical assistance and shared facilities including a commercial kitchen, storage, and offices in a cooperative environment at below market rates. Such a facility would encourage the production of value-added local food products.
- E. Build a new greenhouse for the City to use for its plantings so that Homer High School can have a full year-long curriculum based around the greenhouses there. The new City greenhouse could be built as a demonstration project, easily accessible to the public and full of all the latest power-reducing technology.

Why “the market” alone can’t save local agriculture

The problem facing local food production isn't lack of demand; it's lack of infrastructure. To boost production, a given area's small-scale farms need access to capital—to invest in farm equipment, composting capacity, washing and cooling facilities, and delivery trucks.

Since small farms generally lose money, they can hardly be counted on to make those investments themselves, and few banks are eager to invest in businesses with negative operating margins. Yet the situation need not be so bleak. The farmers who supply the nation's farmers' markets and CSAs, despite brutal economics, represent a huge asset. Communities, and the nation as a whole, should figure out ways to collectively leverage the passion of these growers. Not through direct payments—as with the current \$14.5 billion per year subsidy boondoggle—but rather through strategic investments in food-production infrastructure.

As for individuals, the way forward is clear: seek out farmers' markets, CSAs, and restaurants that procure locally. And stifle your sticker shock. That two-dollar tomato will likely deliver an experience that can't be bought at any price at a supermarket. The cheap-food regime under which we feed ourselves is really a costly scam.

—Tom Philpott, www.grist.org/article/local3

- F. Support efforts to encourage local food production, connect local farmers with markets, and publicize the benefits of “eating local.”
- G. Consider land use and/or tax incentives to take full advantage of the fact that the Homer bench is an extremely valuable agricultural microclimate.
- H. To increase the amount of land dedicated to agriculture and help meet local demand, establish a program whereby City crews and equipment will assist in turning lawns into garden plots, at either no or low cost to property owners.
- I. Eliminate the City sales tax on locally grown non-prepared food.
- J. Support changes in borough tax policy to classify greenhouses as “agricultural.” (Currently borough farm tax benefits apply only to fields, not to structures, so greenhouses are not taxed as agricultural but rather at the higher rate applied to any other structure.)
- K. Network and collaborate with University of Alaska–Fairbanks and Cooperative Extension Service personnel regarding research and funding opportunities; e.g., to support local food demonstration projects.
- L. Establish a Local Food Commission to further develop goals and strategies related to local agriculture/sustainability and facilitate achievement of the goals.

Retirees and Second-Home Residents

Anyone who has lived in Homer 20 years or more cannot fail to have noticed a change in demographics in our community. Not only has the average age of residents increased, but wealth is far more noticeable.

Part of the increase in average age is due to the fact that the American population as a whole is aging and Alaska is aging more than most states. In fact, the number of people age 65 and older grew faster in Alaska than in any other state between 1997 and 2007.²⁰ Many Alaskans over age 65 have lived in the state for many years, if not their entire lives. Others moved to the state after retirement. Homer has attracted more retirees and second-home/part-time residents than most other destinations in Alaska.

Around the country, local and county governments tend to view retirees as an asset and some engage in active marketing to attract new residents from this demographic group. In truth, such governments are particularly interested in a subset of the senior population: those with enough money to enhance the tax base without placing a heavy burden on local services. Once again, Homer finds itself in an enviable position in this regard. Casual observation and anecdotal reports from local realtors reveal that the Homer area has become increasingly popular as a retirement/second-home location for wealthy or relatively well-off individuals and couples from Anchorage and the Lower 48 states.

As with many other forms of economic development, not all the consequences of senior migration to Homer are positive. Wealth from outside the community has been a factor in driving up real estate prices locally, making it harder for less wealthy individuals to afford housing. By state law, Alaskans age 65 years and older are exempt from property taxes on their primary residence up to the first \$150,000 of assessed value. (Local governments can extend the exemption above this cap if they wish. The City of Homer has not done so; however, the Kenai Peninsula Borough has increased the exemption to include the first \$300,000 of assessed value.) A policy of

²⁰ Alaska Commission on Aging, “We’re #1: Alaska Tops in Senior Population Growth,” Feb. 17, 2009.

lower taxes on senior citizens increases the pressure on other residents to cover the costs of services provided by local government.

In a paper titled “**Chasing the Elderly: Can State and Local Governments Attract Recent Retirees?**,” the authors looked at a number of studies regarding factors that influence senior migration. They concluded:

...Returning to the question posed in the title of this paper, state and local fiscal policies do appear to influence location decisions, but they represent a secondary consideration in the migration decisions of most households.

What are the policy implications of our findings for policymakers contemplating strategies for attracting elder migrants? Changes in tax burdens and service levels can affect elder location decisions. Of the fiscal variables, inheritance taxes, income taxes, and property taxes have the largest relative effects. However, very large tax reductions would be required to attract even one more elder migrant to a county. Unless these tax breaks could be narrowly targeted to the group of elderly most likely to consider migrating, the revenue losses from such a program are likely to significantly outweigh the economic and fiscal benefits. Our results suggest that states should focus on marketing their amenities, rather than using fiscal policy to recruit retirees.

—William Duncombe, Mark Robins, and Douglas Wolf, “Chasing the Elderly: Can State and Local Governments Attract Recent Retirees?” Center for Policy Research, Maxwell School of Citizenship and Public Affairs, Syracuse University, September 2000, p. 26.

Recommendations for enhancing Homer’s economy by attracting retirees and second-home residents include:

- A. Recognize that quality of life factors (an attractive town, arts and culture, walkability, health services, etc.) are the most important in attracting retirees and second-home buyers. Focus on enhancing and marketing these features (which benefit all residents) rather than offering financial incentives to attract retirees.
- B. Support the growth of senior services in Homer; e.g., the programs and facilities of Homer Senior Citizens, Inc. and geriatric health services.
- C. Support efforts that result in vacation travel by seniors to Homer—e.g., through Elderhostel programs or on cruise ships—and seek to create a positive first impression for these visitors to help plant the idea of Homer as a place to retire or purchase a second home.

Government

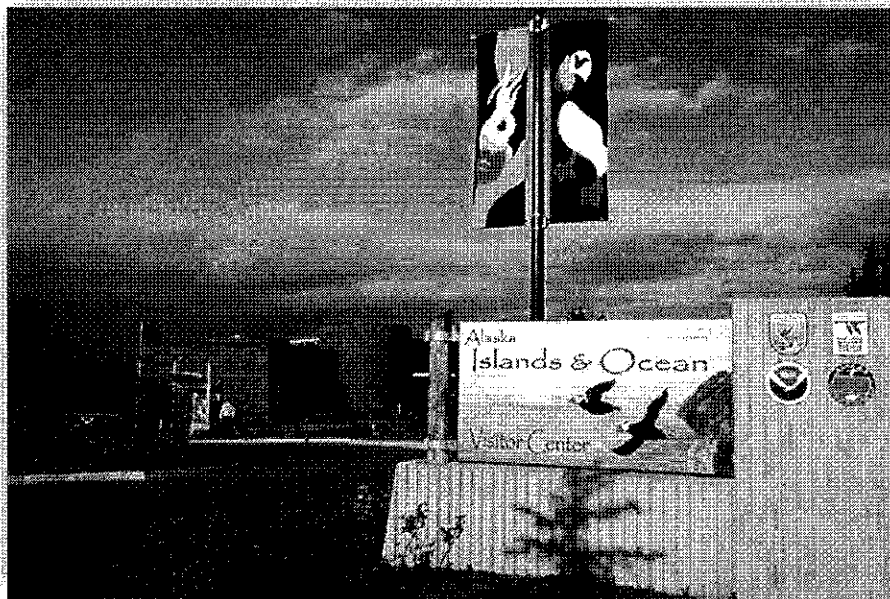
Local, borough, state, and federal government offices and agencies represent a major economic sector in Homer. Looking at state and federal government only, we see the following listed as having offices/operations in Homer:²¹

²¹ 2010 ACS Yellow Pages, Kenai Peninsula, Government Offices section

STATE	FEDERAL
Court System	U.S. Dept. of Agriculture
Fish & Game, including Kachemak Bay National Estuarine Research Reserve	National Marine Fisheries Service
Health and Social Services (several programs)	National Oceanic and Atmospheric Administration
Dept. of Labor (Homer Job Center)	U.S. Coast Guard
Alaska Housing Finance Corp.	U.S. Fish & Wildlife – Alaska Maritime National Wildlife Refuge
Legislative Affairs	U.S. Dept. of the Interior – Indian Affairs
Division of Motor Vehicles	Post Office
Dept. of Natural Resources	Federal Aviation Administration
Alaska Marine Highway	
Homer Airport	
University of Alaska, Kenai Peninsula College, Kachemak Bay Branch	

Native tribes can also be considered governments. Seldovia Village Tribe and Chugachmiut operate facilities in Homer. Public school teachers are employees of the Kenai Peninsula Borough.

In the 2000 Census, 16.9 percent of individuals working in Homer were classified as “government workers.” Many are professionals with college degrees. It can be assumed that their wages, when spent locally, make a significant contribution to the local economy. Other financial benefits come from leased office space, moorage fees, money spent locally on procurement, etc.



The Alaska Islands and Ocean Visitor Center serves as headquarters for the Kachemak Bay Research Reserve (a program of the Alaska Department of Fish and Game and the National Oceanic and Atmospheric Administration) and the Alaska Maritime National Wildlife Refuge (part of the U.S. Fish and Wildlife Service). More than 40 people work at the Center, which is also a major tourist destination, attracting 70,000 visitors per year.

The following are general recommendations for maximizing the contributions of government as an economic sector in Homer:

- A. Advocate for expansion of borough, state, federal, and tribal government offices and programs in Homer, as appropriate. (Growth for the sake of growth is not justified.)
- B. Seek to understand the needs of government agencies in Homer and work cooperatively to ensure those needs are met for the mutual benefit of the agencies and the community. Be proactive in recognizing and addressing potential problems.
- C. Respond to requests for letters and resolutions of support by government agencies seeking funding for programs and facilities.
- D. Take advantage of opportunities for networking and collaboration to help foster positive relationships with representatives of government agencies.

DOWNTOWN VITALIZATION

Homer's first Comprehensive Development Plan (1969) includes this sentence on the first page:

"This plan outlines objectives for future development, emphasizing the need for a strong centralized downtown and the development of a road system that will encourage the economies of centralization, while providing a bypass route for industrial traffic."

More than 40 years later, Homer still lacks a strong centralized downtown. This is why the term "vitalization" is used in the section heading above, rather than "revitalization."

"Downtown" is a commonly used word, but what does it mean? Most of us can easily conjure up an image of a vibrant downtown: lots of people on foot in a relatively small, densely developed area; lots of activity; a multitude of shopping and dining options. People walk right by store and café windows and are enticed to go in. Outside, there are opportunities to sit on a park bench, drink a latte, and enjoy the view or people-watching. The best downtowns allow a mix of uses, including retail, office, and residential. Some include a central park, square, or commons.

Interestingly, Homer has many of the characteristics of a vibrant downtown in the area of the small boat harbor on the Homer Spit – at least in the summer. The Spit is characterized by park-and-walk activity and is a magnet for shopping and sightseeing, popular with locals and visitors alike. Can we create a downtown district in the heart of Homer with similar appeal, but with businesses open all year?

This, essentially, is the goal of the Homer Town Center Development Plan,

Some thoughts on "downtown"

A dense urban center creates a critical mass of people, ideas, products and activities that promote growth and trade... Really good downtowns are congested. Stop worrying about it—pray for it.

—Alan Jacobs, professor emeritus of city and regional planning, University of California, Berkeley

Downtown is everyone's neighborhood and the heart of the city.

—Bernard Lynch, City Manager, Lowell, MA

Great downtowns fill cities with life, and succeed when people come first. If you plan cities for cars and traffic, you get cars and traffic. If you plan for people and places, you get people and places.

—Fred Kent, Project for Public Spaces

Our town looks like a dump! No pride of ownership. No sense of downtown.

—respondent to City of Homer Citizen Survey, December 2002

Pioneer Street looks like a crappy jumble of a town according to tourists I've talked to. It's too bad.

—another respondent to City of Homer Citizen Survey, December 2002

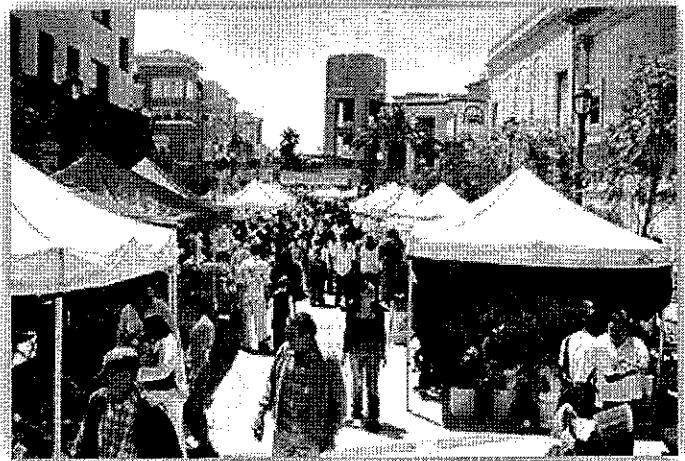
Town Center will be a community focal point to provide for business development, instill a greater sense of pride in the downtown area, enhance mobility for all forms of transportation, and contribute to a higher quality of life.

—from the Homer Town Center Development Plan, April 2006

approved by the City Council in April 2006. The plan presents a vision of a “viable and vibrant Town Center” achieved through a mix of uses including commercial, residential, civic, and outdoor/open space. A 2003 study prepared by economist Steve Colt of the Institute of Social and Economic Research predicted that Town Center development, as envisioned at that time, would lead to 50% higher commercial taxable sales and 35% more revenue from property taxes in a 5-year period within the designated area, and that direct employment in the area would increase by about 33% over the same period.²²



Downtown Ithaca, New York (population 30,000) includes a “commons” and other features that make it an attractive destination.



Public markets can create a strong draw to a downtown district, as seen here in Fruitvale, California.

Momentum for developing Homer’s Town Center stalled in 2008 after the defeat of a ballot proposition that would have authorized selling bonds for the purpose of building a new City Hall and adjacent town square. This project was intended to serve as the civic anchor for Town Center, provide some of the roads, sidewalks, and utilities infrastructure, and thus help attract additional (private) development.

In light of the public rejection of a new City Hall, it is recommended that downtown vitalization include the following strategies:

- A. Complete master planning for the Town Center district.
 - 1. Identify preferred routes and design for new roads, trails, sidewalks, parking areas, and community open space. Consider the needs of RV drivers in parking plans.
 - 2. Work with landowners to accomplish land trades or lot line adjustments as needed for roads, trails, etc.
 - 3. Consider a public market as a primary anchor for Town Center development and include space for the market in the master plan. Work with Homer Farmers Market toward this goal.
 - 4. Emphasize connections to Pioneer Avenue, Main Street, and Old Town to help ensure that Town Center development benefits existing and future businesses in these areas.

²² Steve Colt, “Fiscal and Economic Analysis of Homer Town Square Proposed Development Alternatives,” Institute of Social and Economic Research, University of Alaska Anchorage, April 10, 2003.

- B. Seek funding from public and private sources to build the first roads, sidewalks, parking lots, and trails and provide utilities as outlined in the master plan. Establish a town square or commons to serve as the location for a public market and other events.
- C. Actively promote Town Center as a location for dense, attractive, mixed-use development in keeping with the overall vision for downtown vitalization.

Jobs at the Heart and Soul of a Community

All vital cities showcase at least one multi-use destination – an interesting place where people can go for a variety of activities that involve more than shopping. A multi-use destination that is the heart and soul of a community can both create an identity and generate good jobs and economic growth for that city.

A classic example is Granville Island, a tiny (38 acre) patch of waterfront in Vancouver, Canada... It is the most visited destination in British Columbia but has one of the smallest budgets for tourism advertising of any Vancouver destination.

The economic anchor is the Granville Island Market which has 50 full time local vendors that sell from market stalls, including a variety of small eating establishments with many different ethnic foods, and 45 spaces for part time vendors. And there are no chains! About 3,000 people are employed on the Island and it generates over \$215 million in economic activity each year.

More than a picturesque, public-spirited, feel-good trend, markets are potent economic incubators. People go to markets not only because they can buy the fresh food they need at a price they can afford but also because markets are sociable, fun places that make for a rewarding experience.

People often think of these spots as tourist havens, with the usual low-pay, no-future tourist jobs. But a closer look shows that tourists are not the primary force behind the economic success of these places. At the Granville Island Market the highest-performing vendor is the meat market, which shows that it is a major attraction for locals. No one is going to take fresh pork chops home on the airplane or fry sausage in their hotel room. In fact, the market is busiest in the off-season when tourists are more scarce in rainy Vancouver.

—from “Putting Our Jobs Back in Place,” Project for Public Spaces, pps.org

CONCLUSION

Homer is a great town with a great future blah blah blah...